STATE OF NEVADA

Single Audit Report
For the Year Ended
June 30, 2008

STATE OF NEVADA

SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2008, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit:

Government-Wide Financial Statements

- the financial statements of the Housing Division, which represent 43.0 percent of the assets, 13.3 percent of the net assets and 9.2 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 6.8 percent of the revenues and additions of the aggregate remaining fund information;
- the financial statements of the Pension and Other Employee Benefit Trust Funds, which in the aggregate represent 75.5 percent of the assets, 76.7 percent of the net assets and fund balances, and 15.4 percent of the revenues and additions of the aggregate remaining fund information;
- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represents 13.9 percent of the assets, 16.3 percent of the net assets and fund balance, and 32.7 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 and Other Employee Benefit Trust Funds, and the Nevada College Savings Plan –Private

Purpose 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, 2008, 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 12, 2008 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 12, 2008, except for the information contained
on pages 73 through 159, as to which the date is March 13, 2009

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, 2008. 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, 2008 by $5.8 billion (reported as *net assets*). Of the $5.8 billion in net assets, $2 billion was restricted and not available to meet the State's general obligations.

Changes in Net Assets – The State's total net assets decreased by $209.6 million in fiscal year 2008. Net assets of governmental activities decreased by $214.8 million (a 4.5% decrease) and net assets of the business-type activities increased by $5.3 million (a .4% increase).

Fund-level:
At the close of the fiscal year, the State's governmental funds reported a combined ending fund balance of $2.1 billion, a decrease of $416.6 million from the prior year. Of this amount, $805.8 million represents the *unreserved fund balance.*

The State's enterprise funds reported combined ending net assets of $1.3 billion, an increase of $5.4 million from the prior year, attributable primarily to increases to the Housing Division and Water Projects Loans funds, which were partially offset by a decrease to the Unemployment Compensation fund. Of this amount, $10.3 million represents *unrestricted net assets.*

The State's fiduciary funds reported combined ending net assets of $28.2 billion, an increase of $4.4 billion from the prior year. This increase is due to a restatement of the July 1, 2007 net assets to include the Nevada College Savings Plan in the CAFR for the first time beginning with fiscal year 2008, and a current year increase in net assets attributed primarily to the Nevada College Savings Plan.

Long-term Debt (government-wide):
The net increase in the State's long-term debt obligations was $144 million (a 3.7% increase) during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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, 2008 and 2007 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

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

	Governmental Activities		Business-type Activities		Total		Total Change
	2008	2007	2008	2007	2008	2007	2008-2007
Assets							
Current and other assets	$ 4,807,537	$ 5,943,502	$ 2,502,646	$ 2,402,662	$ 7,310,183	$ 8,346,164	$ (1,035,981)
Net capital assets	5,058,628	4,843,737	7,699	3,162	5,066,327	4,846,899	219,428
Total assets	9,866,165	10,787,239	2,510,345	2,405,824	12,376,510	13,193,063	(816,553)
Liabilities							
Current liabilities	2,393,723	3,139,163	74,712	80,515	2,468,435	3,219,678	(751,243)
Long-term liabilities	2,963,974	2,924,759	1,124,421	1,019,348	4,088,395	3,944,107	144,288
Total liabilities	5,357,697	6,063,922	1,199,133	1,099,863	6,556,830	7,163,785	(606,955)
Net Assets							
Invested in capital assets, net of related debt	3,522,177	3,486,155	3,393	2,783	3,525,570	3,488,938	36,632
Restricted	697,168	613,375	1,297,613	1,293,737	1,994,781	1,907,112	87,669
Unrestricted	289,123	623,787	10,206	9,441	299,329	633,228	(333,899)
Total net assets	$ 4,508,468	$ 4,723,317	$ 1,311,212	$ 1,305,961	$ 5,819,680	$ 6,029,278	$ (209,598)

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 $5.8 billion at the end of 2008, compared with $6.0 billion at the end of the previous year.

The largest portion of the State's net assets ($3.5 billion or 61%) 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 ($2 billion or 34%) 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 $299 million as compared to $633 million in the prior year. This was primarily due to lower revenues in the form of gaming taxes, sales and use taxes, property taxes, and investment earnings. 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.

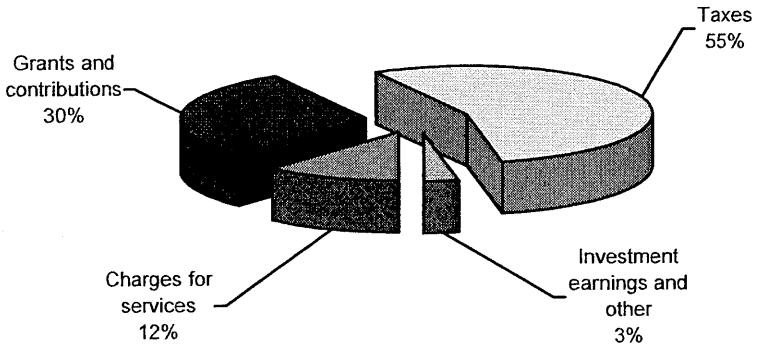
Changes in State of Nevada's Net Assets-Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Change
	2008	2007	2008	2007	2008	2007	2008-2007
Revenues							
Program revenues							
Charges for services	$ 794,372	$ 785,836	$ 107,227	$ 103,044	$ 901,599	$ 888,880	$ 12,719
Operating grants and contributions	1,982,315	2,025,361	88,335	99,546	2,070,650	2,124,907	(54,257)
Capital grants and contributions	21,871	16,010	-	-	21,871	16,010	5,861
General revenues							
Sales and use taxes	1,101,741	1,149,456	-	-	1,101,741	1,149,456	(47,715)
Gaming taxes	1,011,506	1,029,044	-	-	1,011,506	1,029,044	(17,538)
Modified business taxes	297,161	282,729	-	-	297,161	282,729	14,432
Insurance premium taxes	256,847	261,378	-	-	256,847	261,378	(4,531)
Property and transfer taxes	280,896	296,498	-	-	280,896	296,498	(15,602)
Motor and special fuel taxes	297,087	300,182	-	-	297,087	300,182	(3,095)
Other taxes	425,250	427,110	374,565	372,742	799,815	799,852	(37)
Investment earnings	105,649	143,012	-	-	105,649	143,012	(37,363)
Other	115,508	99,476	-	-	115,508	99,476	16,032
Total Revenues	6,690,203	6,816,092	570,127	575,332	7,260,330	7,391,424	(131,094)
Expenses							
General government	439,682	421,291	-	-	439,682	421,291	18,391
Health and social services	2,454,843	2,340,884	-	-	2,454,843	2,340,884	113,959
Education and support services	2,381,731	2,254,626	-	-	2,381,731	2,254,626	127,105
Law, justice and public safety	650,657	624,149	-	-	650,657	624,149	26,508
Regulation of business	114,786	104,385	-	-	114,786	104,385	10,401
Transportation	576,815	680,281	-	-	576,815	680,281	(103,466)
Recreation and resource development	167,627	173,037	-	-	167,627	173,037	(5,410)
Interest on long-term debt	146,312	150,486	-	-	146,312	150,486	(4,174)
Unallocated depreciation	992	720	-	-	992	720	272
Unemployment insurance	-	-	439,632	296,784	439,632	296,784	142,848
Housing	-	-	43,953	46,152	43,953	46,152	(2,199)
Water loans	-	-	6,836	7,886	6,836	7,886	(1,050)
Workers' compensation and safety	-	-	26,258	25,381	26,258	25,381	877
Higher education	-	-	8,109	10,504	8,109	10,504	(2,395)
Other	-	-	20,496	16,424	20,496	16,424	4,072
Total Expenses	6,933,445	6,749,859	545,284	403,131	7,478,729	7,152,990	325,739
Excess (deficiency) in net assets before contributions to permanent funds and transfers	(243,242)	66,233	24,843	172,201	(218,399)	238,434	(456,833)
Contributions to permanent fund	8,801	12,208	-	-	8,801	12,208	(3,407)
Transfers	19,592	18,740	(19,592)	(18,740)	-	-	-
Change in net assets	(214,849)	97,181	5,251	153,461	(209,598)	250,642	(460,240)
Net assets - beginning of year	4,723,317	4,626,136	1,305,961	1,152,500	6,029,278	5,778,636	250,642
Net assets - end of year	$ 4,508,468	$ 4,723,317	$1,311,212	$1,305,961	$ 5,819,680	$ 6,029,278	$ (209,598)

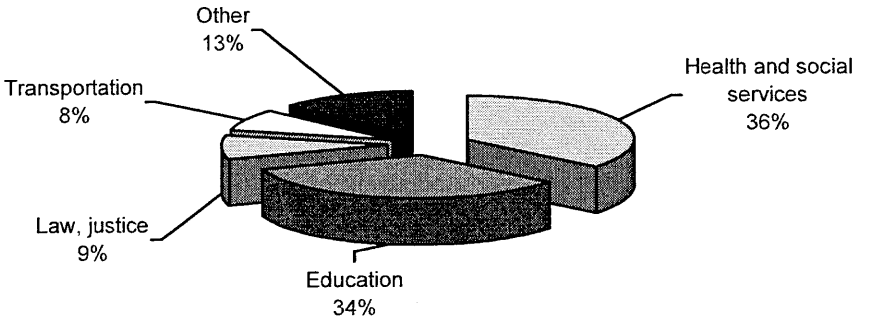
Changes in Net Assets:

Governmental activities –The net assets decreased by $214.8 million or 4.5%. 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 (36%) and education (34%) (see chart below). In 2008, governmental activities expenses exceeded program revenues, resulting in the use of $4.1 billion in general revenues, which were generated to support the government.

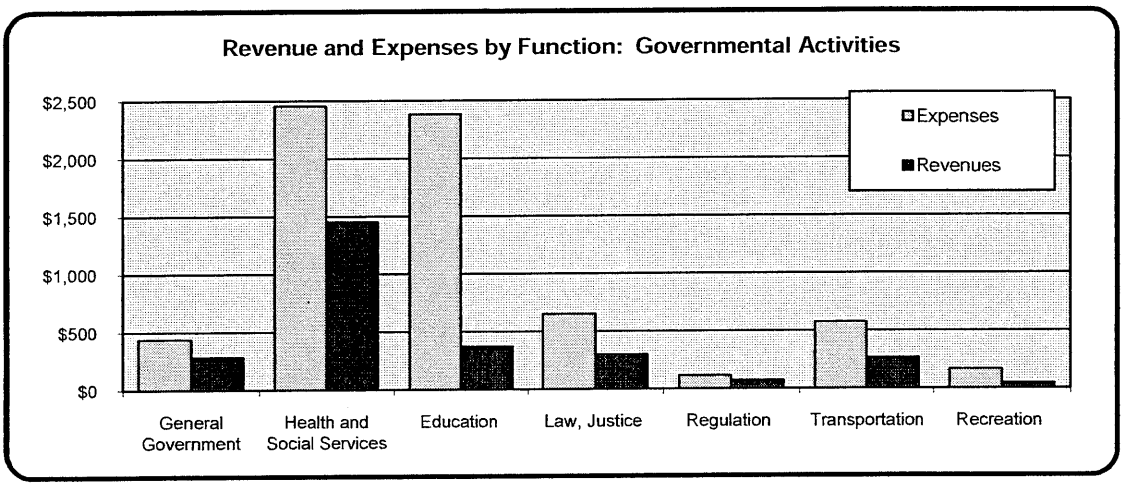
The following chart depicts the governmental activities revenues for the fiscal year:



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

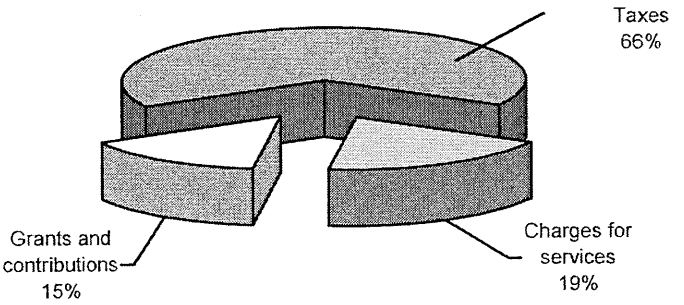


The following chart depicts the total program revenues and expenses for each function of governmental activities (expressed in millions):

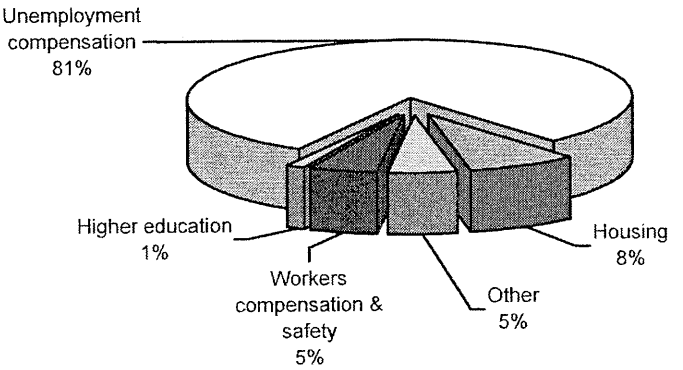


Business-type activities –The net assets increased by $5.3 million or .4%. Approximately 66% of the total revenue came from taxes, while 15% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 19% of the total revenues (see chart below). The State's business-type activities expenses cover a range of services. The largest expenses were for unemployment compensation (81%) and housing (8%) (see chart below). In 2008, business-type activities expenses exceeded program revenues by $350 million. Of this amount, unemployment compensation was the largest, with net expenses of $396 million, resulting in the use of $375 million in general revenues generated by and restricted to the Unemployment Compensation Fund.

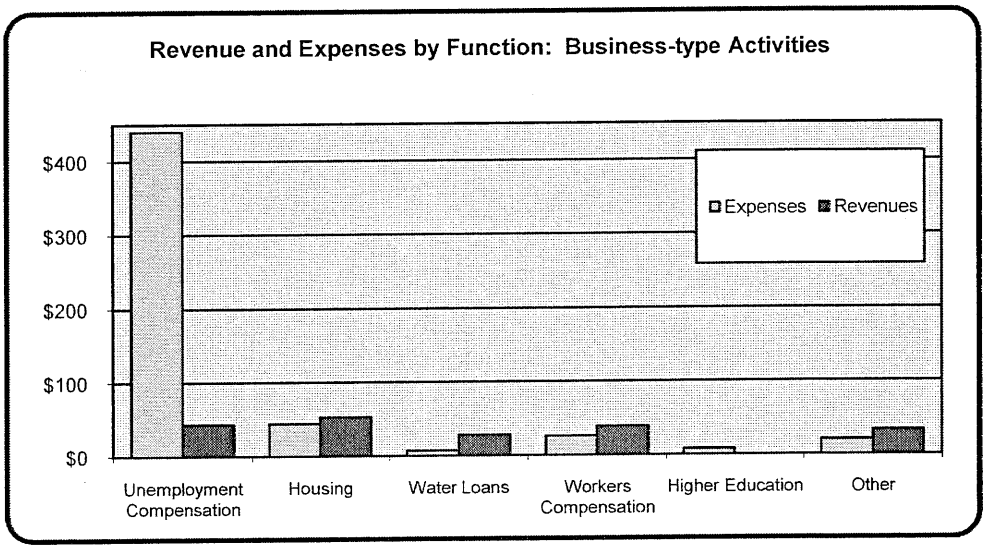
The following chart depicts the business-type activities revenues for the fiscal year:



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 declined over the past fiscal year, with a $214.8 million decrease in the net assets of the governmental activities and only a $5.3 million increase in the net assets of the business-type activities. The change in net assets for governmental activities fell from a growth rate of 2.1% in the prior fiscal year to a decrease of 4.5% in the current year. The business-type activities dropped from growth of 13.3% in the prior fiscal year to .4% in the current year. This is a result of Nevada's economy stalling after several years of impressive growth. Both Nevada and the U.S. economy became affected as the housing sector continued to weaken and the financial markets collapsed. Tax revenues decreased in the current fiscal year by 2.8%, compared to an increase of 2.5% in the prior fiscal year, mainly caused by the slowdown in gaming, sales, property and transfer taxes. A stalling 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 $2.1 billion, a decrease of $416.6 million in comparison with the prior year. Approximately 37.8% of this total amount constitutes unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year, to pay debt service, to be held in permanent trust funds or for a variety of other purposes. The major governmental funds are discussed individually below:

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund balance was $400 million. The fund balance decreased by $45 million during the current fiscal year, which is a 10.2% decrease from the prior year. This decrease was primarily due to a decrease in revenue as discussed below 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, 2008 and 2007 (expressed in thousands). Other financing sources are not included.

General Fund Revenues *(expressed in thousands)*

	2008		2007		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	$ 993,530	19.1%	$ 1,013,323	19.3%	$ (19,793)	-2.0%
Sales taxes	1,088,024	20.8%	1,132,418	21.5%	(44,394)	-3.9%
Modified business taxes	284,601	5.5%	278,953	5.3%	5,648	2.0%
Insurance premium taxes	256,693	4.9%	259,275	4.9%	(2,582)	-1.0%
Property and transfer taxes	85,883	1.6%	120,375	2.3%	(34,492)	-28.7%
Motor and special fuel taxes	3,146	0.1%	3,040	0.1%	106	3.5%
Intergovernmental	1,751,697	33.6%	1,700,396	32.3%	51,301	3.0%
Other taxes	312,888	6.0%	305,536	5.8%	7,352	2.4%
Licenses, fees and permits	214,563	4.1%	212,700	4.0%	1,863	0.9%
Sales and charges for services	60,854	1.2%	56,292	1.1%	4,562	8.1%
Interest and investment income	91,737	1.8%	120,503	2.3%	(28,766)	-23.9%
Other revenues	69,736	1.3%	54,526	1.0%	15,210	27.9%
Total revenues	$ 5,213,352	100.0%	$ 5,257,337	100.0%	$ (43,985)	-0.8%

The total General Fund revenues decreased .8%. The largest declines in revenue sources were $44.4 million or 3.9% in sales tax, $34.5 million or 28.7% in property and transfer taxes, $28.8 million or 23.9% in interest and investment income, and $19.8 million or 2.0% in gaming taxes, fees and licenses. All are due to a slow down of the economy and collapse of the security and real estate markets. Increases in revenue sources were $15.2 million or 27.9% in other revenues and $7.4 million or 2.4% in other tax income. The primary cause of the increase were in penalties, fines, earnings from unclaimed property and an increase in minerals tax.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2008 and 2007 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures *(expressed in thousands)*

	2008		2007		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	$ 146,808	2.7%	$ 148,010	2.8%	$ (1,202)	-0.8%
Health and social services	2,229,277	40.4%	2,145,702	41.1%	83,575	3.9%
Education and support services	44,375	0.8%	38,619	0.7%	5,756	14.9%
Law, justice and public safety	444,584	8.1%	418,187	8.0%	26,397	6.3%
Regulation of business	82,727	1.5%	78,608	1.5%	4,119	5.2%
Recreation, resource development	137,561	2.5%	117,645	2.3%	19,916	16.9%
Intergovernmental	2,427,716	44.0%	2,278,033	43.6%	149,683	6.6%
Debt service	1,633	0.0%	962	0.0%	671	69.8%
Total expenditures	$ 5,514,681	100.0%	$ 5,225,766	100.0%	$ 288,915	5.5%

The total General Fund expenditures increased 5.5%. Intergovernmental expenditures increased $150 million or 6.6% primarily due to intergovernmental expenditures for education, while expenditures for health and social services increased $84 million or 3.9%. 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 $68 million during the current fiscal year, which is an 18% increase from the prior year. This increase is primarily due to bond proceeds received but not yet spent for construction and improvement projects. The unreserved fund balance is negative $188.8 million and the reserved balance is a positive $624.1 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 $277 million during the current fiscal year, which is a 44.8% decrease from the prior year. This decrease was primarily due to local governments refunding certain bonds and a decrease in interest and investment income.

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 $12.6 million during the current fiscal year, which is a 9% increase from the prior year. The increase was due primarily to the increase in property and transfer taxes used for debt service payments.

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 5% or more from anticipated revenues, or if the Legislature and the Governor declare a fiscal emergency. The fund balance decreased by $192.8 million during the current fiscal year, which is 69.6% decrease from the prior year. This decrease was primarily due to a transfer of $195 million, bringing the fund balance to $84 million. The $195 million transfer was an appropriation to the General Fund as authorized by Senate Bill 1 of the 24th Special Session (2008). This special session of the Legislature was convened due to a shortfall and continuing decline in general fund revenues. Under NRS 353.288, there was no annual deposit transferred from General Fund due to a low unrestricted fund balance. On July 1, 2008 an additional $72 million was transferred per Senate Bill 1 of the 24th Special Session.

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. The combined net assets of the enterprise funds increased by $5.4 million in 2008. 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 $8.5 million or 5.1% during the current fiscal year and the results of operations were down 27% from last year, due to the downturn of the housing market.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net assets decreased by $22 million during the current fiscal year, which is a 2% decrease from the prior year. An increase in unemployment due to the slowdown in the economy and the drop in construction and financial services employment resulted in a 48% increase in operating expenses compared to the previous year.

The Water Projects Loans Fund issues loans to governmental, as well as private entities for two programs: safe drinking water and water pollution control. The federal EPA matches the State's bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. Total revenues exceeded expenses and transfers by $19.8 million during the current fiscal year, for final net assets of $225 million, which is a 9.6% increase from the prior year.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and motor pool in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2008, total internal service fund net assets decreased by $9.9 million, for a final net asset balance of $62.9 million. The two largest funds are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. The fund had a net loss of $16 million for the year as compared to a net gain of $4 million in the prior year, with final net assets of $63 million. This year's loss was due to a 5% increase in premium income versus a 13% 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 $4.1 million or 13.9% during fiscal year 2008, to a total deficit of $26 million. This year's increase from operations was caused primarily by a 37% decrease in claims expense, and an 8% decrease in insurance premiums expense. NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account.

Analysis of General Fund Budget Variations

The General Fund total sources were $87 million or 1.2% 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 $534 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.

Some of the budget revisions included: $76 million in Education for federal grants for reading, improving education for the disadvantaged, improving teacher quality, grants for math and science, grants for State assessments, and school breakfast and lunch programs; $44 million in Public Safety for emergency management assistance grants; $36 million for public health, Medicaid, and welfare costs; $3 million in the Commodity Food program and $2 million for fire management assistance.

Capital Assets and Debt Administration

Capital Assets:

The State's capital assets for its governmental and business-type activities as of June 30, 2008, amount to $5.8 billion, net of accumulated depreciation of $763 million, leaving a net book value of $5.1 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. Based on the 2007 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 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%

Condition Level of the Bridges

Percentage of substandard bridges

	2007	2005	2003
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	4%	3%	5%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2008 by $8.5 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 2008 (expressed in millions):

	Expended by June 30, 2008	Total Budget
SDCC Housing Unit & Planning	$ 1.4	$ 65.5
GSF/Campos Office Building	3.7	62.9
SNWCC 400 Bed Expansion	18.6	59.2
High Desert State Prison Phase 5	22.8	53.1
Indian Springs Conservation Camp	4.1	49.9
High Desert State Prison Phase 4, Indian Springs	38.7	40.7
Housing Units - Pre-Engineered	28.7	29.3
Las Vegas Readiness Center	24.1	27.4
Fish Hatchery Refurbishment	22.7	23.2
Civil Support Team WMD Readiness Building	-	20.5

The total increase in the State's capital assets for the primary government for the current fiscal year was $380 million. This increase included current expenditures to purchase capital assets and completed projects from construction in progress. Depreciation charges for the year totaled $88.3 million.

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

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Debt Administration:
As of year-end, the State had $4.1 billion in long-term debt outstanding, compared to $3.9 billion last year, an increase of $144 million or 3.7% during the current fiscal year. This increase was due primarily to the issuance of general obligation and 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 2008 fiscal year were (expressed in thousands):

General Obligation Natural Resources	7/12/2007A	$ 19,500
General Obligation Capital Improvements and Cultural Affairs	7/12/2007B	267,270
General Obligation Open Space, Parks and Natural Resources	7/12/2007C	4,500
Housing Single-Family 2007 Issue B	10/9/2007	40,000
Housing Multi-Unit Vintage at Laughlin	11/29/2007	11,000
Housing Multi-Unit Vista Creek	11/29/2007	21,000
Housing Multi-Unit Arby Road Apartments	12/4/2007	15,350
Housing Multi-Unit HELP Owens Apartments	12/5/2007	5,545
Housing Single-Family 2008 Issue A	4/3/2008	49,000
Natural Resources-Marlette Lake	4/22/2008A	5,445
General Obligation Natural Resources	4/22/2008A	17,100
General Obligation Open Space, Parks and Natural Resources	4/22/2008B	10,000
Special Obligation Highway Improvement Revenue	4/24/2008	129,970

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 or visit our website at: www.controller.nv.gov.

Statement of Net Assets

NEVADA

June 30, 2008 (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	$ 2,120,660	$ 846,141	$ 2,966,801	$ 5,157	$ 128,221
Investments	645,420	721,884	1,367,304	-	769,836
Collateral on loaned securities	654,043	24,544	678,587	3,873	-
Internal balances	2,085	(2,085)	-	-	-
Due from the state	-	-	-	185	145,868
Accounts receivable	79,472	3,561	83,033	20,157	102,539
Taxes/assessments receivable	834,301	121,517	955,818	-	-
Intergovernmental receivables	426,978	1,466	428,444	-	38,238
Accrued interest and dividends	17,842	17,549	35,391	77	-
Contracts receivable	-	17,768	17,768	-	-
Mortgages receivable	-	576,436	576,436	-	-
Notes/loans receivable	612	20,184	20,796	-	11,335
Other receivables	18	6,409	6,427	-	52,364
Inventory	12,491	1,702	14,193	-	6,474
Prepaid expenses	1,432	90	1,522	41,205	-
Deferred charges	12,183	3,703	15,886	-	-
Restricted assets:					
Cash	-	-	-	9,577	23,661
Investments	-	136,309	136,309	-	-
Other assets	-	5,468	5,468	-	60,971
Capital assets:					
Land, infrastructure and construction in progress	4,001,978	5,339	4,007,317	265	458,788
Other capital assets, net	1,056,650	2,360	1,059,010	60,565	1,331,488
Total assets	9,866,165	2,510,345	12,376,510	141,061	3,129,783
Liabilities					
Accounts payable	738,170	22,845	761,015	16,333	43,501
Accrued payroll and related liabilities	50,448	746	51,194	-	32,476
Intergovernmental payables	209,552	12	209,564	-	7,442
Interest payable	29,368	10,152	39,520	1,515	9,921
Due to component units	146,052	1	146,053	-	-
Contracts/retentions payable	86,819	-	86,819	-	-
Obligations under securities lending	654,043	24,544	678,587	3,873	-
Unearned revenues	344,443	9,648	354,091	507	41,178
Reserve for losses	76,436	-	76,436	-	-

Other liabilities	58,392	6,764	65,156	3,025	28,074
Long-term liabilities:					
Portion due or payable within one year:					
Obligations under capital leases	2,380	-	2,380	-	3,368
Compensated absences	66,591	1,034	67,625	161	30,960
Benefits payable	-	7,400	7,400	-	-
Bonds payable	190,621	21,683	212,304	5,089	17,150
Certificates of participation payable	1,290	-	1,290	-	-
Portion due or payable after one year:			-		
Obligations under capital leases	17,511	-	17,511	-	8,281
Compensated absences	32,801	581	33,382	63	14,392
Benefits payable	-	111,267	111,267	-	-
Bonds payable	2,594,175	982,407	3,576,582	102,169	449,227
Certificates of participation payable	58,030	-	58,030	-	-
Arbitrage rebate liability	575	49	624	-	-
Total liabilities	5,357,697	1,199,133	6,556,830	132,735	685,970
Net Assets					
Invested in capital assets, net of related debt	3,522,177	3,393	3,525,570	(3,836)	1,317,229
Restricted for:					
Unemployment compensation	-	867,244	867,244	-	-
Security of outstanding obligations	-	171,650	171,650	-	-
Workers' compensation	-	32,694	32,694	-	-
Capital projects	6,917	-	6,917	-	214,542
Debt service	34,040	-	34,040	-	10,686
Education and support services	3,031	-	3,031	-	-
Transportation	270,320	-	270,320	-	-
Recreation and resource development	46,486	224,980	271,466	-	-
Law, justice and public safety	8,103	-	8,103	-	-
Health and social services	28,839	-	28,839	-	-
Regulation of business	14,420	1,045	15,465	-	-
Municipal securities	84	-	84	-	-
Scholarships	-	-	-	-	274,784
Loans	-	-	-	-	6,211
Operations and maintenance	-	-	-	716	-
Funds held as permanent investments:					
Nonexpendable	284,906	-	284,906	-	257,068
Expendable	22	-	22	-	-
Unrestricted	289,123	10,206	299,329	11,446	363,293
Total net assets	$ 4,508,468	$ 1,311,212	$ 5,819,680	$ 8,326	$ 2,443,813

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

Statement of Activities

NEVADA

For the Fiscal Year Ended June 30, 2008 (Expressed in Thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Colorado River Commission	Nevada System of Higher Education
Primary Government									
Governmental activities:									
General government	$ 439,682	$ 254,198	$ 15,897	$ 16,672	$ (152,915)	$ -	$ (152,915)	$ -	$ -
Health and social services	2,454,843	147,785	1,307,463	-	(999,595)	-	(999,595)	-	-
Education and support services	2,381,731	2,789	369,896	-	(2,009,046)	-	(2,009,046)	-	-
Law, justice and public safety	650,657	257,355	42,067	412	(350,823)	-	(350,823)	-	-
Regulation of business	114,786	66,077	6,762	-	(41,947)	-	(41,947)	-	-
Transportation	576,815	28,073	234,320	3,644	(310,778)	-	(310,778)	-	-
Recreation and resource development	167,627	38,095	5,910	1,143	(122,479)	-	(122,479)	-	-
Interest on long-term debt	146,312	-	-	-	(146,312)	-	(146,312)	-	-
Unallocated depreciation	992	-	-	-	(992)	-	(992)	-	-
Total governmental activities	6,933,445	794,372	1,982,315	21,871	(4,134,887)	-	(4,134,887)	-	-
Business-type activities:									
Unemployment insurance	439,632	-	43,394	-	-	(396,238)	(396,238)	-	-
Housing	43,953	30,721	21,748	-	-	8,516	8,516	-	-
Water loans	6,836	8,978	18,594	-	-	20,736	20,736	-	-
Workers' compensation and safety	26,258	35,632	3,828	-	-	13,202	13,202	-	-
Higher education	8,109	52	13	-	-	(8,044)	(8,044)	-	-
Other	20,496	31,844	758	-	-	12,106	12,106	-	-
Total business-type activities	545,284	107,227	88,335	-	-	(349,722)	(349,722)	-	-
Total primary government	$ 7,478,729	$ 901,599	$ 2,070,650	$ 21,871	(4,134,887)	(349,722)	(4,484,609)	-	-
Component Units									
Colorado River Commission	$ 69,154	$ 68,452	$ -	$ -	-	-	-	(702)	-
Nevada System of Higher Education	1,483,083	490,302	366,262	849	-	-	-	-	(625,670)
Total component units	$ 1,552,237	$ 558,754	$ 366,262	$ 849	-	-	-	(702)	(625,670)

General revenues:					
Taxes:					
Gaming	974,979	-	974,979	-	-
Sales and use	999,457	-	999,457	-	-
Modified business	297,161	-	297,161	-	-
Insurance premium	256,847	-	256,847	-	-
Property and transfer	85,883	-	85,883	-	-
Motor and special fuel	3,146	-	3,146	-	-
Other	291,978	-	291,978	-	-
Restricted for unemployment compensation:					
Other taxes	-	374,565	374,565	-	-
Restricted for educational purposes:					
Sales and use taxes	102,284	-	102,284	-	-
Gaming taxes	34,945	-	34,945	-	-
Restricted for debt service purposes:					
Property and transfer taxes	170,462	-	170,462	-	-
Motor and special fuel taxes	84,338	-	84,338	-	-
Other	47,888	-	47,888	-	-
Restricted for recreation and resource development purposes:					
Other taxes	21,701	-	21,701	-	-
Restricted for health and social services purposes:					
Gaming taxes	1,582	-	1,582	-	-
Property and transfer taxes	24,551	-	24,551	-	-
Other taxes	36,136	-	36,136	-	-
Restricted for transportation purposes:					
Motor and special fuel taxes	209,603	-	209,603	-	-
Other taxes	23,652	-	23,652	-	-
Restricted for regulation purposes:					
Other taxes	3,895	-	3,895	-	-
Tobacco settlement income	46,264	-	46,264	-	-
Unrestricted investment earnings	105,075	-	105,075	721	3,112
Gain on sale of assets	574	-	574	-	-
Other general revenues	69,244	-	69,244	595	-
Contributions to permanent funds	8,801	-	8,801	-	35,645
Payments from State of Nevada	-	-	-	-	809,785
Transfers	19,592	(19,592)	-	-	-
Total general revenues and transfers	3,920,038	354,973	4,275,011	1,316	848,542
Change in net assets	(214,849)	5,251	(209,598)	614	222,872
Net assets - beginning	4,723,317	1,305,961	6,029,278	7,712	2,220,941
Net assets - ending	$ 4,508,468	$ 1,311,212	$ 5,819,680	$ 8,326	$2,443,813

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

Balance Sheet
Governmental Funds

June 30, 2008

	General Fund	State Highway	Municipal Bond Bank
Assets			
Cash and pooled investments:			
Cash with treasurer	$ 393,548,662	$ 447,108,094	$ 491,541
Cash in custody of other officials	3,530,906	136,189	-
Investments	21,298,002	-	340,445,000
Collateral on loaned securities	364,767,033	143,810,398	4,195,966
Receivables:			
Accounts receivable	41,818,568	6,728,722	-
Taxes receivable	798,537,264	28,116,130	-
Intergovernmental receivables	231,646,037	39,395,088	-
Accrued interest and dividends	13,569,964	-	1,566,739
Notes/loans receivable	455,667	-	-
Other receivables	15,830	-	-
Due from other funds	300,510,287	9,969,348	29,926
Due from fiduciary funds	3,165,165	-	-
Due from component units	483,650	-	-
Inventory	-	11,324,181	-
Advances to other funds	5,786,974	2,222	-
Prepaid items	1,217,138	55,383	-
Total assets	$ 2,180,351,147	$ 686,645,755	$ 346,729,172
Liabilities and Fund Balances			
Accounts payable and accruals:			
Accounts payable	$ 258,295,783	$ 25,644,867	$ -
Accrued payroll and related liabilities	33,600,265	12,663,222	-
Intergovernmental payables	194,472,148	11,814,861	-
Interest payable	-	-	-
Contracts/retentions payable	1,087,696	20,588,875	-
Obligations under securities lending	364,767,033	143,810,398	4,195,966
Due to other funds	36,327,292	2,371,599	437,442
Due to fiduciary funds	426,546,973	734,062	-
Due to component units	30,693,816	396,358	-
Deferred revenues	381,253,925	29,441,265	1,569,032
Bonds payable	-	-	-
Other liabilities	53,555,127	3,905,758	-
Total liabilities	1,780,600,058	251,371,265	6,202,440
Fund balances:			
Reserved:			
Encumbrances and contracts	7,628,651	612,679,155	-
Inventories	-	11,324,181	-
Advances	5,786,974	2,222	-
Funds held as permanent investments	-	-	-
Fiscal emergency	-	-	-
Debt service	-	-	-
Other	1,672,805	55,383	-
Unreserved, designated for balances forward	350,327,548	-	-
Unreserved, designated for approved capital projects	1,937,227	-	-
Unreserved, designated, reported in nonmajor:			
Special revenue funds	-	-	-
Capital project funds	-	-	-
Unreserved, undesignated	32,397,884	(188,786,451)	340,526,732
Unreserved, undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Permanent funds	-	-	-
Total fund balances	399,751,089	435,274,490	340,526,732
Total liabilities and fund balances	$ 2,180,351,147	$ 686,645,755	$ 346,729,172

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

Consolidated Bond Interest and Redemption	Stabilize the Operations of State Government	Other Governmental Funds	Total Governmental Funds
$ 160,342,774	$ 278,501,095	$ 709,662,416	$ 1,989,654,582
-	-	165,048	3,832,143
-	-	283,676,746	645,419,748
45,469,950	2,885,754	66,405,963	627,535,064
-	-	25,482,958	74,030,248
-	-	7,647,256	834,300,650
140,899,436	-	7,949,106	419,889,667
-	-	2,705,216	17,841,919
-	-	36,669	492,336
-	-	1,725	17,555
2,821,133	1,370,561	21,708,243	336,409,498
-	-	471,281	3,636,446
6,560,000	-	11,291	7,054,941
-	-	877,790	12,201,971
1,807,639	-	-	7,596,835
-	-	147,374	1,419,895
$ 357,900,932	$ 282,757,410	$ 1,126,949,082	$ 4,981,333,498
$ 151,964	$ 295	$ 14,106,316	$ 298,199,225
-	-	2,949,209	49,212,696
-	140,500	3,115,144	209,542,653
3,748,836	-	-	3,748,836
-	-	65,142,020	86,818,591
45,469,950	2,885,754	66,405,963	627,535,064
44,283	195,433,000	102,662,747	337,276,363
-	-	21,388	427,302,423
-	-	126,414,803	157,504,977
146,790,192	9,744	24,690,391	583,754,549
10,180,000	-	-	10,180,000
-	-	882,762	58,343,647
206,385,225	198,469,293	406,390,743	2,849,419,024
-	-	142,807,619	763,115,425
-	-	877,790	12,201,971
1,807,639	-	-	7,596,835
-	-	284,905,644	284,905,644
-	72,632,516	-	72,632,516
149,708,068	-	34,039,957	183,748,025
-	-	184,043	1,912,231
-	-	-	350,327,548
-	-	-	1,937,227
-	-	4,413,200	4,413,200
-	-	17,402,506	17,402,506
-	11,655,601	-	195,793,766
-	-	235,905,930	235,905,930
-	-	21,650	21,650
151,515,707	84,288,117	720,558,339	2,131,914,474
$ 357,900,932	$ 282,757,410	$ 1,126,949,082	$ 4,981,333,498

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

NEVADA

June 30, 2008

Total fund balances - governmental funds		$ 2,131,914,474
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	$ 129,272,291	
Construction in progress	240,455,261	
Infrastructure assets	3,119,560,188	
Rights-of-way	512,357,896	
Buildings	1,163,607,481	
Improvements other than buildings	104,615,231	
Furniture and equipment	322,745,040	
Software costs	134,122,733	
Accumulated depreciation/amortization	(703,768,515)	
Total capital assets		5,022,967,606
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.		239,575,444
A portion of the interest accrued on bonds payable (not reported in the funds) is due from local governments.		1,565,740
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.		62,979,797
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.		575,174
Certain bond costs are reported as a deferred charge on the statement of net assets and are amortized over the life of the debt.		11,609,770
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	(2,765,775,781)	
Accrued interest on bonds	(25,618,861)	
Arbitrage rebate liability	(575,145)	
Certificates of participation	(59,320,000)	
Capital leases	(15,127,733)	
Compensated absences	(96,302,023)	
Total long-term liabilities		(2,962,719,543)
Net assets of governmental activities		$ 4,508,468,462

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, 2008

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	$ 993,529,780	$ -	$ -
Sales taxes	1,088,024,037	-	-
Modified business taxes	284,600,418	-	-
Insurance premium taxes	256,693,189	-	-
Property and transfer taxes	85,882,799	-	-
Motor and special fuel taxes	3,146,425	209,603,385	-
Other taxes	312,887,431	23,652,011	-
Intergovernmental	1,751,696,515	237,653,479	-
Licenses, fees and permits	214,563,165	185,509,347	-
Sales and charges for services	60,854,171	18,467,342	-
Interest and investment income	91,737,176	25,450,313	30,131,373
Tobacco settlement income	-	-	-
Land sales	-	-	-
Other	69,736,429	20,547,784	-
Total revenues	5,213,351,535	720,883,661	30,131,373
Expenditures			
Current:			
General government	146,807,578	7,414,194	22,464
Health and social services	2,229,277,024	-	-
Education and support services	44,375,079	-	-
Law, justice and public safety	444,584,088	155,235,303	-
Regulation of business	82,727,124	-	-
Transportation	-	612,492,595	-
Recreation and resource development	137,560,527	-	-
Intergovernmental	2,427,716,453	39,875,173	-
Capital outlay	-	-	-
Debt service:			
Principal	809,362	372,953	-
Interest, fiscal charges	683,036	21,129	-
Debt issuance costs	140,236	543,230	-
Total expenditures	5,514,680,507	815,954,577	22,464
Excess (deficiency) of revenues over expenditures	(301,328,972)	(95,070,916)	30,108,909
Other Financing Sources (Uses)			
Capital leases	2,926,281	-	-
Sale of general obligation bonds	17,373,769	129,651,881	-
Premium on general obligation bonds	331,541	5,886,325	-
Sale of capital assets	136,197	10,873,312	-
Transfers in	339,687,070	23,833,993	-
Transfers out	(104,465,358)	(7,330,571)	(307,012,370)
Total other financing sources (uses)	255,989,500	162,914,940	(307,012,370)
Net change in fund balances	(45,339,472)	67,844,024	(276,903,461)
Fund balances, July 1 (as restated)	445,090,561	367,430,466	617,430,193
Fund balances, June 30	$ 399,751,089	$ 435,274,490	$ 340,526,732

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

Consolidated Bond Interest and Redemption	Stabilize the Operations of State Government	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 14,986,311	$ 1,008,516,091
-	-	-	1,088,024,037
-	-	-	284,600,418
-	-	-	256,693,189
170,461,698	-	24,550,863	280,895,360
-	-	84,337,795	297,087,605
-	-	36,112,603	372,652,045
18,483,122	-	50,237,338	2,058,070,454
-	-	32,656,409	432,728,921
-	-	16,085,813	95,407,326
7,856,938	454,212	29,375,702	185,005,714
-	-	45,975,956	45,975,956
-	-	2,502,573	2,502,573
1,122,581	-	14,068,132	105,474,926
197,924,339	454,212	350,889,495	6,513,634,615
2,380,648	119,256	55,915,246	212,659,386
-	-	68,962,006	2,298,239,030
-	-	864,421	45,239,500
-	35,433	17,296,135	617,150,959
-	-	22,116,654	104,843,778
-	-	-	612,492,595
-	-	28,786,251	166,346,778
274,525	328,425	166,781,501	2,634,976,077
-	-	167,959,311	167,959,311
374,665,000	-	49,123,305	424,970,620
109,734,924	-	32,742,312	143,181,401
956,767	-	799,735	2,439,968
488,011,864	483,114	611,346,877	7,430,499,403
(290,087,525)	(28,902)	(260,457,382)	(916,864,788)
-	-	-	2,926,281
956,504	-	300,397,224	448,379,378
-	-	11,642,681	17,860,547
-	-	479,375	11,488,884
319,801,235	2,000,000	78,665,311	763,987,609
(18,041,895)	(194,762,280)	(112,737,527)	(744,350,001)
302,715,844	(192,762,280)	278,447,064	500,292,698
12,628,319	(192,791,182)	17,989,682	(416,572,090)
138,887,388	277,079,299	702,568,657	2,548,486,564
$ 151,515,707	$ 84,288,117	$ 720,558,339	$ 2,131,914,474

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Net change in fund balances - total governmental funds		$ (416,572,090)
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	$295,926,061	
Depreciation expense	(80,595,326)	
Excess of capital outlay over depreciation expense		215,330,735
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	(448,840,000)	
Premiums on debt issued	(17,860,547)	
Total bond proceeds		(466,700,547)
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.		(2,926,281)
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	422,643,315	
Certficates of participation retirement	1,135,000	
Capital lease payments	4,445,338	
Total long-term debt repayment		428,223,653
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (loss) of the internal service funds is reported with governmental activities.		(9,772,052)
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.		37,629,995
In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the the change in net assets differs from the change in fund balance by the cost of the asset sold.		(3,358,851)
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.		2,400,328
Amortization of bond issuance costs is reported as an expense for the statement of activities.		(790,287)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		(4,480,416)
Amortization of bond premiums is reported as a reduction of interest expense for the statement of activities.		8,632,809
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	(1,341,596)	
Increase in compensated absences	(1,548,443)	
Decrease in arbitrage liability	423,939	
Total additional expenditures		(2,466,100)
Change in net assets of governmental activities		$ (214,849,104)

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

Statement of Net Assets
Proprietary Funds

June 30, 2008

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and pooled investments:						
Cash with treasurer	$ 567,064	$ -	$ 46,750,444	$ 52,409,268	$ 99,726,776	$127,172,948
Cash in custody of other officials	130,881	745,554,825	-	728,532	746,414,238	100
Investments	69,885,296	-	-	-	69,885,296	-
Collateral on loaned securities	-	-	13,873,316	10,670,440	24,543,756	26,508,050
Receivables:						
Accounts receivable	-	-	-	3,545,368	3,545,368	1,803,943
Assessments receivable	-	121,517,399	-	-	121,517,399	-
Intergovernmental receivables	-	-	537,674	928,599	1,466,273	4,284,784
Contracts receivable	-	-	-	4,500,000	4,500,000	-
Mortgages receivable	9,330,047	-	-	-	9,330,047	-
Accrued interest and dividends	3,411,722	9,129,378	4,129,186	550,477	17,220,763	-
Notes/loans receivable	-	-	-	-	-	10,000
Trades pending settlement	-	-	-	6,409,304	6,409,304	-
Due from other funds	16,388	-	624,927	1,693,261	2,334,576	5,949,762
Due from fiduciary funds	-	-	-	16,112	16,112	1,097
Due from component units	-	-	-	275	275	3,826,915
Inventory	-	-	-	1,701,620	1,701,620	288,688
Prepaid expenses	-	-	-	90,123	90,123	12,132
Restricted assets:						
Investments	113,187,038	-	-	-	113,187,038	-
Total current assets	196,528,436	876,201,602	65,915,547	83,243,379	1,221,888,964	169,858,419
Noncurrent assets:						
Investments	287,222,590	-	265,744,640	99,031,043	651,998,273	-
Receivables:						
Intergovernmental receivables	-	-	-	-	-	1,238,326
Contracts receivable	-	-	-	13,267,489	13,267,489	-
Mortgages receivable	567,106,002	-	-	-	567,106,002	-
Accrued interest and dividends	-	-	-	327,855	327,855	-
Notes/loans receivable	-	-	18,668,252	1,515,469	20,183,721	110,000
Deferred charges	2,156,207	-	1,445,877	101,367	3,703,451	-
Due from component units	-	-	-	-	-	585,348
Restricted assets:						
Investments	23,121,618	-	-	-	23,121,618	-
Other assets	5,452,833	-	-	15,000	5,467,833	-
Capital assets:						
Land	-	-	-	567,812	567,812	130,954
Buildings	-	-	-	3,388,840	3,388,840	21,619,036
Improvements other than buildings	-	-	-	630,647	630,647	713,667
Furniture and equipment	382,517	-	43,947	4,997,882	5,424,346	50,044,765
Software costs	-	-	-	-	-	15,323,810
Construction in progress	-	-	-	4,771,763	4,771,763	201,341
Less accumulated depreciation/ amortization	(325,255)	-	(39,849)	(6,718,858)	(7,083,962)	(52,373,208)
Total noncurrent assets	885,116,512	-	285,862,867	121,896,309	1,292,875,688	37,594,039
Total assets	1,081,644,948	876,201,602	351,778,414	205,139,688	2,514,764,652	207,452,458

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Liabilities						
Current liabilities:						
Accounts payable and accruals:						
Accounts payable	$ 12,252,134	$ 8,957,903	$ 80,080	$ 1,459,345	$ 22,749,462	$ 6,130,406
Accrued payroll and related liabilities	70,966	-	14,058	661,322	746,346	1,235,105
Interest payable	8,030,315	-	2,061,496	60,304	10,152,115	-
Intergovernmental payables	-	-	-	12,342	12,342	9,426
Trades pending settlement	-	-	-	6,750,305	6,750,305	-
Bank overdraft	-	-	-	-	-	6,531,140
Obligations under securities lending	-	-	13,873,316	10,670,440	24,543,756	26,508,050
Due to other funds	6,266	-	394,403	3,399,223	3,799,892	3,617,581
Due to fiduciary funds	-	-	-	95,601	95,601	7,207
Due to component units	-	-	-	1,387	1,387	14,285
Unearned revenues	-	-	-	9,647,845	9,647,845	263,580
Other liabilities	-	-	-	13,412	13,412	48,500
Short-term portion of long-term liabilities.						
Compensated absences	131,379	-	29,819	872,327	1,033,525	1,973,902
Benefits payable	-	-	-	7,400,000	7,400,000	-
Bonds payable	14,447,000	-	7,134,733	101,710	21,683,443	514,720
Obligations under capital leases	-	-	-	-	-	1,335,792
Total current liabilities	34,938,060	8,957,903	23,587,905	41,145,563	108,629,431	48,189,694
Noncurrent liabilities:						
Advances from funds	-	-	-	540,305	540,305	7,056,530
Reserve for losses	-	-	-	-	-	76,435,933
Compensated absences	111,000	-	21,296	448,886	581,182	1,116,059
Benefits payable	-	-	-	111,267,000	111,267,000	-
Bonds payable	871,748,000	-	103,150,830	7,507,656	982,406,486	8,325,694
Obligations under capital leases	-	-	-	-	-	3,427,794
Arbitrage rebate liability	-	-	34,005	14,886	48,891	-
Total noncurrent liabilities	871,859,000	-	103,206,131	119,778,733	1,094,843,864	96,362,010
Total liabilities	906,797,060	8,957,903	126,794,036	160,924,296	1,203,473,295	144,551,704
Net Assets						
Invested in capital assets, net of related debt	57,262	-	4,098	3,331,880	3,393,240	22,056,365
Restricted for:						
Unemployment compensation	-	867,243,699	-	-	867,243,699	-
Security of outstanding obligations	171,650,549	-	-	-	171,650,549	-
Workers' compensation	-	-	-	32,693,772	32,693,772	-
Revolving loans	-	-	224,980,280	-	224,980,280	-
Regulation of business	-	-	-	1,044,950	1,044,950	-
Unrestricted (deficit)	3,140,077	-	-	7,144,790	10,284,867	40,844,389
Total net assets	$ 174,847,888	$ 867,243,699	$ 224,984,378	$ 44,215,392	1,311,291,357	$ 62,900,754

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.	(79,043)
Net assets of business-type activities	$1,311,212,314

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, 2008

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues						
Net premium income	$ -	$ -	$ -	$ -	$ -	$ 290,483,455
Sales	-	-	-	12,608,714	12,608,714	3,141,836
Assessments	-	374,564,552	-	31,007,062	405,571,614	-
Charges for services	-	-	6,000	16,071,689	16,077,689	48,519,224
Rental income	-	-	-	243,377	243,377	20,956,489
Interest income on loans/notes	27,205,208	-	8,971,817	45,644	36,222,669	-
Federal government	-	5,176,629	15,875,289	-	21,051,918	-
Licenses, fees and permits	-	-	-	6,531,102	6,531,102	-
Fines	-	-	-	2,565,744	2,565,744	-
Other	3,516,319	-	-	3,379,740	6,896,059	2,949,531
Total operating revenues	30,721,527	379,741,181	24,853,106	72,453,072	507,768,886	366,050,535
Operating Expenses						
Salaries and benefits	1,845,690	-	421,232	17,310,628	19,577,550	32,946,835
Operating	2,195,938	-	764,590	17,498,010	20,458,538	38,496,737
Claims and benefits expense	-	439,632,233	-	14,642,674	454,274,907	215,471,386
Interest on bonds payable	38,051,396	-	-	-	38,051,396	-
Materials or supplies used	-	-	-	4,245,733	4,245,733	1,188,408
Servicers' fees	167,302	-	-	-	167,302	-
Depreciation	13,374	-	1,480	434,473	449,327	5,746,206
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	158,797	-	153,489	-	312,286	-
Insurance premiums	-	-	-	-	-	83,964,471
Total operating expenses	42,432,497	439,632,233	1,340,791	54,131,518	537,537,039	379,346,424
Operating income (loss)	(11,710,970)	(59,891,052)	23,512,315	18,321,554	(29,768,153)	(13,295,889)
Nonoperating Revenues (Expenses)						
Interest and investment income	20,041,304	38,217,248	2,718,447	(2,425,928)	58,551,071	4,731,458
Interest expense	-	-	(5,491,028)	(628,956)	(6,119,984)	(1,395,040)
Bond issuance costs amortization	-	-	-	(1,291)	(1,291)	-
Federal grant revenue	1,707,195	-	-	2,081,280	3,788,475	-
Federal grant expense	(1,506,842)	-	-	-	(1,506,842)	-
Gain (loss) on disposal of assets	-	-	-	18,900	18,900	132,342
Arbitrage rebate	-	-	(3,525)	(14,886)	(18,411)	-
Total nonoperating revenues (expenses)	20,241,657	38,217,248	(2,776,106)	(970,881)	54,711,918	3,468,760
Income (loss) before transfers	8,530,687	(21,673,804)	20,736,209	17,350,673	24,943,765	(9,827,129)
Transfers						
Transfers in	-	-	-	3,076,236	3,076,236	363,259
Transfers out	-	-	(960,949)	(21,707,444)	(22,668,393)	(408,710)
Change in net assets	8,530,687	(21,673,804)	19,775,260	(1,280,535)	5,351,608	(9,872,580)
Net assets, July 1	166,317,201	888,917,503	205,209,118	45,495,927		72,773,334
Net assets, June 30	$ 174,847,888	$ 867,243,699	$ 224,984,378	$ 44,215,392		$ 62,900,754

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.	(100,528)
Change in net assets of business-type activities	$ 5,251,080

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, 2008

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities						
Receipts from customers and users	$ 8,522,396	$ 372,765,633	$ 6,000	$ 72,266,457	$ 453,560,486	$ 55,949,294
Receipts for interfund services provided	145,025	1,268,742	-	5,334,181	6,747,948	243,840,690
Receipts from component units	-	-	-	-	-	67,814,411
Receipts of principal on loans/notes	95,595,993	-	22,937,132	246,113	118,779,238	-
Receipts of interest on loans/notes	32,797,009	-	8,882,230	89,713	41,768,952	-
Receipts from federal government	-	5,176,629	15,337,616	-	20,514,245	-
Payments to suppliers, other governments and beneficiaries	(9,312,892)	(440,615,451)	(582,406)	(26,796,618)	(477,307,367)	(314,307,518)
Payments to employees	(1,690,850)	-	(406,535)	(16,413,474)	(18,510,859)	(31,290,514)
Payments for interfund services	(369,910)	-	(64,085)	(6,513,348)	(6,947,343)	(19,727,765)
Payments to component units	-	-	-	(2,566,906)	(2,566,906)	(162,733)
Purchase of loans and notes	(89,103,905)	-	(24,430,825)	(329,807)	(113,864,537)	-
Net cash provided by (used for) operating activities	36,582,866	(61,404,447)	21,679,127	25,316,311	22,173,857	2,115,865
Cash flows from noncapital financing activities						
Grant receipts	1,001,203	-	-	1,676,691	2,677,894	-
Proceeds from sale of bonds	141,895,000	-	-	-	141,895,000	-
Transfers and advances from other funds	-	-	-	3,178,826	3,178,826	4,192,248
Principal paid on noncapital debt	(38,007,000)	-	(6,915,000)	-	(44,922,000)	-
Interest paid on noncapital debt	(37,338,508)	-	(5,139,889)	-	(42,478,397)	-
Transfers and advances to other funds	-	-	(612,867)	(24,153,445)	(24,766,312)	(317,205)
Other noncapital financing activities	(1,789,910)	-	-	-	(1,789,910)	-
Net cash provided by (used for) noncapital financing activities	65,760,785	-	(12,667,756)	(19,297,928)	33,795,101	3,875,043
Cash flows from capital and related financing activities						
Transfers from (reversions to) other funds	-	-	-	-	-	(344,179)
Proceeds from capital debt	-	-	-	5,390,252	5,390,252	-
Proceeds from sale of capital assets	-	-	-	18,900	18,900	224,713
Purchase of capital assets	(47,987)	-	-	(516,898)	(564,885)	(4,228,114)
Principal paid on capital debt	-	-	-	(56,024)	(56,024)	(4,026,193)
Interest paid on capital debt	-	-	-	(103,938)	(103,938)	(119,978)
Construction	-	-	-	(4,075,022)	(4,075,022)	-
Net cash provided by (used for) capital and related financing activities	(47,987)	-	-	657,270	609,283	(8,493,751)
Cash flows from investing activities						
Proceeds from sale of investments	408,511,070	-	-	176,835,417	585,346,487	-
Purchase of investments	(530,325,892)	-	-	(180,782,866)	(711,108,758)	-
Interest and dividends received	19,954,709	29,766,497	2,036,551	5,019,043	56,776,800	3,634,889
Net cash provided by (used for) investing activities	(101,860,113)	29,766,497	2,036,551	1,071,594	(68,985,471)	3,634,889
Net increase (decrease) in cash	435,551	(31,637,950)	11,047,922	7,747,247	(12,407,230)	1,132,046
Cash and cash equivalents, July 1	262,394	777,192,775	35,702,522	45,390,553	858,548,244	126,041,002
Cash and cash equivalents, June 30	$ 697,945	$ 745,554,825	$ 46,750,444	$ 53,137,800	$ 846,141,014	$ 127,173,048

	Enterprise Funds					
	Housing Division	Unemployment Compensation	Water Projects Loans	Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	$ (11,710,970)	$ (59,891,052)	$ 23,512,315	$ 18,321,554	$ (29,768,153)	$ (13,295,889)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities						
Depreciation	13,373	-	1,480	434,473	449,326	5,746,206
Amortization	-	-	-	-	-	1,532,381
Bond issuance costs amortization	158,797	-	153,489	-	312,286	-
Interest on bonds payable	38,051,396	-	-	-	38,051,396	-
Decrease (increase) in loans and notes receivable	9,460,143	-	(1,646,576)	(7,754)	7,805,813	-
Decrease (increase) in accrued interest and receivables	2,309,861	(530,177)	236,511	2,449,800	4,465,995	2,936,311
Decrease (increase) in inventory, deferred charges, other assets	-	-	-	(397,910)	(397,910)	(8,938)
Increase (decrease) in accounts payable, accruals, other liabilities	(1,699,734)	(983,218)	(578,092)	4,516,148	1,255,104	5,205,794
Total adjustments	48,293,836	(1,513,395)	(1,833,188)	6,994,757	51,942,010	15,411,754
Net cash provided by (used for) operating activities	$ 36,582,866	$ (61,404,447)	$ 21,679,127	$ 25,316,311	$ 22,173,857	$ 2,115,865
Noncash investing, capital and financing activities						
Capital assets leased or acquired	$ -	$ -	$ -	$ -	$ -	$ 3,076,395
Gain (loss) on disposal of assets	-	-	-	18,900	18,900	132,342
Advance for capital asset acquisition	-	-	-	524,995	524,995	-
Construction completed or in progress	-	-	-	387,223	387,223	(2,227,039)
Increase (decrease) in fair value of investments	(90,627)	-	(45,952)	(8,004,925)	(8,141,504)	(63,501)

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

Statement of Fiduciary Net Assets
Fiduciary Funds

NEVADA

June 30, 2008

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
Cash and pooled investments:				
Cash with treasurer	$ 1,754,604	$ -	$ 5,164,819	$ 103,371,972
Cash in custody of other officials	377,474,322	-	4,379,319	89,540,214
Investments:				
Investments	19,164,902	1,201,422,902	4,733,355,639	145,908,926
Fixed income securities	6,570,329,084	-	-	-
Marketable equity securities	9,173,828,498	-	-	-
International securities	4,588,353,107	-	-	-
Mortgage loans	8,837	-	-	-
Real estate	1,179,621,748	-	-	-
Alternative investments	539,741,424	-	-	-
Collateral on loaned securities	2,872,607,768	-	-	1,241,275
Receivables:				
Accrued interest and dividends	88,498,168	7,880,606	1,702,637	-
Taxes receivable	-	-	-	12,170,538
Trades pending settlement	197,701,351	-	53,643	-
Intergovernmental receivables	84,479,940	-	-	-
Contributions receivable	-	-	5,434,614	-
Other receivables	-	-	-	34,929,316
Due from other funds	66,781	-	255,198	427,083,252
Due from fiduciary funds	14,890,881	-	-	12,524,545
Due from component unit	4,421,488	-	-	-
Other assets	1,676,282	-	-	-
Furniture and equipment	31,663,385	-	-	-
Accumulated depreciation	(27,063,157)	-	-	-
Total assets	25,719,219,413	1,209,303,508	4,750,345,869	826,770,038
Liabilities				
Accounts payable and accruals:				
Accounts payable	11,423,717	134,872	1,837,348	-
Accrued payroll and related liabilities	-	-	-	47,325
Intergovernmental payables	-	1,731,917	7,327	509,363,817
Redemptions payable	-	-	1,896,194	-
Trades pending settlement	569,255,692	-	4,368,864	-
Bank overdraft	-	-	15,000	-
Obligations under securities lending	2,872,607,768	-	-	1,241,275
Due to other funds	1,097	3,005,762	646,796	-
Due to fiduciary funds	513	-	27,486	27,387,427
Other liabilities:				
Deposits	-	-	-	280,743,462
Other liabilities	-	-	-	7,986,732
Total liabilities	3,453,288,787	4,872,551	8,799,015	826,770,038
Net Assets				
Held in trust for:				
Employees' pension benefits	22,240,265,835	-	-	-
OPEB benefits	25,664,791	-	-	-
Individuals, organizations and other governments	-	1,204,430,957	4,741,546,854	-
Total net assets	$ 22,265,930,626	$ 1,204,430,957	$ 4,741,546,854	$ -

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, 2008

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
Contributions:			
Employer	$ 1,233,361,989	$ -	$ -
Plan members	88,044,528	-	-
Participants	-	-	1,662,119,192
Repayment and purchase of service	43,353,636	-	-
Total contributions	1,364,760,153	-	1,662,119,192
Investment income:			
Net increase (decrease) in fair value of investments	(1,455,121,967)	7,391,630	(449,556,220)
Interest, dividends	655,611,060	46,284,310	130,577,268
Securities lending income	176,210,785	5,560,045	-
Other	62,429,450	-	-
	(560,870,672)	59,235,985	(318,978,952)
Less investment expense:			
Cost of securities lending	(156,421,093)	(5,359,493)	-
Other	(27,931,956)	(568,185)	-
Net investment income	(745,223,721)	53,308,307	(318,978,952)
Other:			
Investment from local governments	-	1,204,599,159	-
Reinvestment from interest income	-	29,704,916	-
Other	2,420,200	-	-
Total other	2,420,200	1,234,304,075	-
Total additions	621,956,632	1,287,612,382	1,343,140,240
Deductions			
Principal redeemed	-	1,129,963,643	630,943,737
Benefit payments	1,069,358,525	-	19,354,340
Refunds	16,830,212	-	-
Contribution distributions	2,615,779	-	-
Dividends to investors	-	30,965,090	-
Administrative expense	8,818,048	135,758	19,475,947
Total deductions	1,097,622,564	1,161,064,491	669,774,024
Change in net assets	(475,665,932)	126,547,891	673,366,216
Net assets, July 1 (as restated)	22,741,596,558	1,077,883,066	4,068,180,638
Net assets, June 30	$ 22,265,930,626	$ 1,204,430,957	$ 4,741,546,854

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

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

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 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 funds and major individual proprietary funds are reported as

(Note 1 Continued)

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.

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

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

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

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

D. Assets, Liabilities and Net Assets/Fund Balance

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

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

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

The Local Government Investment Pool 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.

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

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

Compensated Absences - Compensated absences are accounted for in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability for compensated absences relating to services already rendered and that are not contingent on a specified event be accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund

types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report compensated absences expected to be liquidated with expendable available financial resources as an expenditure and a fund liability in the fund financial statements. On the Statement of Net Assets, the total accrued compensated absences for both proprietary and governmental fund types is reported. 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.

"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 (as they become susceptible to accrual [measureable and available] under the modified accrual basis of accounting.) The State considers revenues as available if they are collected within 60 days after year-end. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

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

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

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. 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 $7,910,686 were made in the 2008 fiscal year. Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

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

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

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

Note 3 - Deposits and Investments

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

A. Deposits

Primary Government, Pension and Other Employee Benefit Trust, and Investment Trust Funds - the State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2008, the bank balance of the primary government, pension and other employee benefit trust, and investment trust funds totaled $759,752,339, of which $724,729 was uncollateralized and uninsured.

Component Units - at June 30, 2008, the bank balance of the component units totaled $151,882,000 of which $83,822,000 was uncollateralized and uninsured.

B. Investments

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

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

Investments held in the Local Government Investment Pool (LGIP) 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 and Other Employee Benefit Trust, and Investment Trust Funds - The State does not have a written interest rate risk policy. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the 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):

		Maturities in Years			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	$ 2,336,981	$ 135,981	$ 792,681	$ 445,983	$ 962,336
Negotiable certificates of deposit	90,002	90,002	-	-	-
U. S. agencies	3,258,833	2,227,634	687,127	19,050	325,022
Mutual funds	77,679	77,679	-	-	-
Repurchase agreements	113,805	113,805	-	-	-
Asset backed corporate securities	1,681,999	300	100,791	43,473	1,537,435
Corporate bonds and notes	1,335,942	32,247	469,504	388,995	445,196
Commercial paper	124,970	124,970	-	-	-
Fixed income securities	1,174,305	1,300	33,200	7,900	1,131,905
International investments	1,360,601	2,803	717,873	292,354	347,571
Municipal bonds	606,189	-	9,057	30,025	567,107
Investment agreements	17,487	7,542	-	-	9,945
Other short-term investments	170,851	170,851	-	-	-
Collateralized mortgage obligations	361,392	6,700	19,973	53,367	281,352
Total	$ 12,711,036	$ 2,991,814	$ 2,830,206	$ 1,281,147	$ 5,607,869

Private Purpose Trust – Nevada College Savings Plan currently has no formal investment policy with regard to interest rate risk for the investments. Investments having interest rate risk are all invested in mutual funds with various maturities from 31 days to 9 years and are not included in the table above.

Component Units – The Nevada System of Higher Education's (NSHE) policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operat-

(Note 3 Continued)

ing 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, 2008 (expressed in thousands):

Less than 1 year	$ 14,162
1 to 5 years	45,168
6 to 10 years	44,508
More than 10 years	19,327

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

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

In addition to the above provisions, investment policies for the pension and other employee benefit trust funds allow investment in corporate bonds, assets-related instruments, and foreign debt issued in the U.S. rated by at least two of the following: Moody's, Standard &Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's).

The State's investments as of June 30, 2008 were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard and Poor's rating scale (expressed in thousands):

		Quality Rating						
	Fair Value	AAA	AA	A	BBB	BB	B	Unrated
Negotiable certificates of deposit	$ 90,002	$ -	$ -	$ 90,002	$ -	$ -	$ -	$ -
U.S. agencies	3,256,337	2,012,534	-	1,243,803	-	-	-	-
Mutual funds	77,679	77,403	-	-	-	-	-	276
Repurchase agreements	113,805	113,805	-	-	-	-	-	-
Asset backed corporate securities	350,599	327,487	3,928	1,700	684	-	-	16,800
Corporate bonds and notes	1,335,942	264,524	249,320	471,686	334,800	9,400	-	6,212
Commercial paper	124,970	-	-	124,970	-	-	-	-
Fixed income securities	1,174,305	35,500	5,500	7,500	2,600	-	-	1,123,205
International investments	1,354,400	598,667	464,671	234,057	56,300	-	-	705
Municipal bonds	606,190	-	606,190	-	-	-	-	-
Investment agreements	17,487	1,125	6,149	9,792	-	-	421	-
Other short-term investments	169,750	169,750	-	-	-	-	-	-
Collateralized mortgage obligations	244,592	229,292	2,800	6,000	-	-	-	6,500
Total	$ 8,916,058	$3,830,087	$1,338,558	$2,189,510	$ 394,384	$ 9,400	$ 421	$ 1,153,698

Quality ratings for the Public Employees' Retirement System (PERS) U.S agency investments of $2.301 billion have been assigned by PERS' custodial bank, The Bank of New York Mellon, and are not included in the table above. As of June 30, 2008, the State of Nevada held equity and debt obligations of Lehman Brothers Holdings Inc. On September 14, 2008, Lehman Brothers Holdings Inc. declared bankruptcy. The ultimate value of the State's debt securities will not be known until the bankruptcy proceedings are completed.

Private Purpose Trust - Nevada College Savings Plan currently has no formal investment policy with regard to credit risk for the investments. It has a total investment of $4.733 billion in unrated mutual funds with the Columbia 529 Plan, Upromise 529 Plan, USAA College Saving Plan, and Vanguard 529 Plan that is not included in the table of Quality Rating.

(Note 3 Continued)

Component Unit - the Nevada System of Higher Education's (NSHE) policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating 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, 2008 is as follows (expressed in thousands):

		Quality Rating			
	Fair Value	AAA	AA	A	Unrated
Corporate bonds	$ 1,206	$ 51	$ 733	$ 344	$ 78
Commingled U.S. bond funds	55,324	-	-	-	55,324
Commingled non U.S. bond funds	63,825	-	-	-	63,825
Commingled money market bond funds	1,970	-	-	-	1,970
Total	$ 122,325	$ 51	$ 733	$ 344	$ 121,197

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of the Housing Division and the Investment Trust Funds. At June 30, 2008, the following investments exceeded 5% of the Primary Government and Investment Trust Funds' total investments (expressed in thousands):

	Fair Value	Percentage
Primary government		
Federal Farm Credit Bank	$ 493,341	13.07%
Federal Home Loan Bank	1,635,091	43.32%
So. Nevada Water Authority	249,365	6.61%
United States Agencies	302,447	8.01%
Investment Trust Funds		
Federal Farm Credit Bank	88,563	7.37%
Federal National Mortgage Assoc.	71,654	5.96%
Federal Home Loan Bank	640,767	53.33%
Repurchase Agreement	113,805	9.47%

At June 30, 2008, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corporation	$ 9,312	9.40%
Federal National Mortgage Association	11,326	11.44%

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, 2008, the Housing Division's investments in Fannie Mae and Ginnie Mae are 25.42% and 33.74% 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 and Other Employee Benefit Trust Funds - the primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any deposits or investments in foreign currency. The Public Employees' Retirement System of Nevada, the Legislators' Retirement System of Nevada, the Judicial Retirement System of Nevada, and the Retirement Benefits Investment Fund do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. The following table summarizes the pension and other employee benefit trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2008 (expressed in thousands):

(Note 3 Continued)

Currency by Investment and Fair Value	Fixed Income	Equity	Derivatives	Cash
Australian Dollar	$ 4,614	$ 234,500	$ 700	$ 100
British Pound Sterling	81,731	742,600	(4,300)	1,198
Canadian Dollar	25,863	4,800	-	(93)
Danish Krone	9,026	36,100	-	600
Euro Currency	649,431	1,204,300	(95,000)	(5,004)
Hong Kong Dollar	-	70,800	100	300
Japanese Yen	404,828	730,300	(1,500)	6,302
Malaysian ringgit	2,715	-	-	100
New Zealand Dollar	-	3,000	200	300
Norwegian Krone	1,910	40,600	400	(300)
Polish Zloty	13,232	-	-	(197)
Singapore Dollar	1,806	40,700	300	606
Swedish Krona	8,024	73,000	300	301
Swiss Franc	4,020	256,600	1,000	(496)
Total	$ 1,207,200	$ 3,437,300	$ (97,800)	$ 3,717

Component Unit - the Nevada System of Higher Education had $99,553,000 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	$ 1,159
British Pound	15,653
Brazilian Real	1,792
Canadian Dollar	4,348
Chinese Renminbi	1,831
Denmark Dollar	1,107
Euro Currency	26,564
Japanese Yen	13,978
South Korean Won	2,654
Swiss Franc	4,585
Taiwan New Dollar	2,419
Other	23,463
Total	$ 99,553

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, 2008 (excluding PERS) is $678,397,052. The fair value of cash collateral received in securities lending arrangements (excluding PERS) of $683,986,992 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, 2008 total collateral (excluding PERS) has a fair value of $685,119,521. 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.

Public Employees' Retirement System (PERS) – The system also maintains a securities lending program under the authority of the "prudent person" standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income 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.

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

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

The fair value of underlying securities on loan at June 30, 2008 is $2,789,612,700. The fair value of the cash collateral received in securities lending arrangements of $2,872,321,923 is reported on the Statement of Fiduciary Net Assets as an asset with a related liability. At June 30, 2008, 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 index futures - used to equitize cash.

Mortgage backed and asset backed securities – used for diversification and enhance return (components 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):

	Governmental Funds	Nevada System of Higher Education
As shown on financial statements:		
Intergovernmental receivables	$ 419,890	$ 38,238
Notes/loans receivable	492	11,335
Due from Component Unit	7,055	-
Total	$ 427,437	$ 49,573
Classified:		
Current portion	$ 281,915	$ 40,640
Noncurrent portion:		
Intergovernmental receivables	138,903	-
Notes/loans receivable	444	8,933
Due from Component Unit	6,175	-
Total noncurrent portion	145,522	8,933
Total	$ 427,437	$ 49,573

Not included in the receivable balances are amounts considered to be uncollectible. $7.8 million of taxes receivable in the governmental funds are estimated to be uncollectible. Uncollectible accounts receivable in the governmental funds total $37 million. The proprietary funds have $12.5 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, 2008, follows (expressed in thousands):

	Advances From Major Funds			
	General	State Highway	Consolidated Bond Interest and Redemption	Total
Advances To				
Nonmajor enterprise	$ 540	$ -	$ -	$ 540
Internal service	5,247	2	1,808	7,057
Total other funds	$ 5,787	$ 2	$ 1,808	$ 7,597

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, 2008, is shown below (expressed in thousands):

	Due 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
Due From							
Major Governmental Funds:							
General	$ -	$ 9,422	$ 30	$ 2,076	$ 1,371	$ 16,689	$ 29,588
State Highway	762	-	-	-	-	926	1,688
Municipal Bond Bank	44	-	-	394	-	-	438
Consolidated Bond Interest and Redemption	20	16	-	-	-	6	42
Stabilize the Operations of State Government	195,433	-	-	-	-	-	195,433
Nonmajor governmental	97,692	333	-	200	-	4,078	102,303
Total Governmental	293,951	9,771	30	2,670	1,371	21,699	329,492
Major Enterprise Funds:							
Housing Division	1	-	-	-	-	-	1
Water Projects Loans	394	-	-	-	-	-	394
Nonmajor enterprise	3,318	7	-	-	-	3	3,328
Total Enterprise	3,713	7	-	-	-	3	3,723
Internal Service	2,846	191	-	151	-	7	3,195
Total other funds	$ 300,510	$ 9,969	$ 30	$ 2,821	$ 1,371	$ 21,709	$ 336,410
Fiduciary	$ 3,165	$ -	$ -	$ -	$ -	$ 471	$ 3,636
Component Units:							
Nevada System of Higher Education	$ 484	$ -	$ -	$ 6,560	$ -	$ 11	$ 7,055
Colorado River Commission	-	-	-	-	-	-	-
Total Component Units	$ 484	$ -	$ -	$ 6,560	$ -	$ 11	$ 7,055

	Due To						
	Major Enterprise Funds						
	Housing Division	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
Due From							
Major Governmental Funds:							
General	$ 16	$ 625	$ 1,525	$ 2,166	$ 4,573	$ 36,327	$ 426,547
State Highway	-	-	2	2	681	2,371	734
Municipal Bond Bank	-	-	-	-	-	438	-
Consolidated Bond Interest and Redemption	-	-	2	2	-	44	-
Stabilize the Operations of State Government	-	-	-	-	-	195,433	-
Nonmajor governmental	-	-	164	164	196	102,663	21
Total Governmental	16	625	1,693	2,334	5,450	337,276	427,302
Major Enterprise Funds:							
Housing Division	-	-	-	-	5	6	-
Water Projects Loans	-	-	-	-	-	394	-
Nonmajor enterprise	-	-	-	-	72	3,400	96
Total Enterprise	-	-	-	-	77	3,800	96
Internal Service	-	-	-	-	422	3,617	7
Total other funds	$ 16	$ 625	$ 1,693	$ 2,334	$ 5,949	$ 344,693	$ 427,405
Fiduciary	$ -	$ -	$ 16	$ 16	$ 1	$ 3,653	$ 27,415
Component Units:							
Nevada System of Higher Education	$ -	$ -	$ -	$ -	$ 4,410	$ 11,465	$ 4,421
Colorado River Commission	-	-	-	-	2	2	-
Total Component Units	$ -	$ -	$ -	$ -	$ 4,412	$ 11,467	$ 4,421

(Note 5 Continued)

	Due To		
	Component Units		
	Nevada System of Higher Education	Colorado River Commission	Total Component Units
Due From			
Major Governmental Funds:			
General	$ 30,507	$ 187	$ 30,694
State Highway	396	-	396
Nonmajor governmental	126,415	-	126,415
Total Governmental	157,318	187	157,505
Nonmajor enterprise	1	-	1
Internal Service	14	-	14
Total other funds	$ 157,333	$ 187	$ 157,520

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, 2008, 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	$ -	$ 3,150	$ 44	$ 18,000	$ 194,762	$ 100,924	$ 316,880
State Highway	23,669	-	-	-	-	165	23,834
Consolidated Bond Interest and Redemption	1,413	-	306,968	-	-	11,420	319,801
Stabilize the Operations of State Government	2,000	-	-	-	-	-	2,000
Nonmajor governmental	74,231	4,180	-	42	-	24	78,477
Total Governmental	101,313	7,330	307,012	18,042	194,762	112,533	740,992
Nonmajor enterprise	2,894	-	-	-	-	182	3,076
Internal Service	258		-	-	-	24	282
Total other funds	$ 104,465	$ 7,330	$ 307,012	$ 18,042	$ 194,762	$ 112,739	$ 744,350

(Note 5 Continued)

	Transfers Out/To				
	Major Enterprise Fund				
	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds
Transfers In/From					
Major Governmental Funds:					
General	$ 961	$ 21,659	$ 22,620	$ 187	$ 339,687
State Highway	-	-	-	-	23,834
Consolidated Bond Interest and Redemption	-	-	-	-	319,801
Stabilize the Operations of State Government	-	-	-	-	2,000
Nonmajor governmental	-	48	48	140	78,665
Total Governmental	961	21,707	22,668	327	763,987
Nonmajor enterprise	-	-	-	-	3,076
Internal Service	-	-	-	82	364
Total other funds	$ 961	$ 21,707	$ 22,668	$ 409	$ 767,427

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 to the General Fund of $195 million from the Stabilize the Operations of State Government ("Rainy Day") fund. The Nevada Legislature approved this transfer during the 24th Special Session (2008) to offset a projected deficit in the General Fund.

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 $810 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, 2008 are as follows (expressed in thousands):

	Business-Type Activities	Total Primary Government	Component Units
Restricted:			
Cash	$ -	$ -	$ 33,238
Investments	136,309	136,309	-
Total	$ 136,309	$ 136,309	$ 33,238
Restricted for:			
Debt service	$ 136,309	$ 136,309	$ 574
Construction	-	-	25,333
Other purposes	-	-	7,331
Total	$ 136,309	$ 136,309	$ 33,238

Note 7- Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2008, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 112,162	$ 17,467	$ (226)	$ 129,403
Construction in progress	134,927	172,922	(67,192)	240,657
Infrastructure	3,054,495	65,065	-	3,119,560
Rights-of-way	512,610	229	(481)	512,358
Total capital assets, not being depreciated	3,814,194	255,683	(67,899)	4,001,978
Capital assets, being depreciated/amortized				
Buildings	1,139,026	46,337	(136)	1,185,227
Improvements other than buildings	91,914	13,414	-	105,328
Furniture and equipment	385,300	47,834	(60,343)	372,791
Software costs	138,581	12,072	(1,207)	149,446
Total capital assets, being depreciated/amortized	1,754,821	119,657	(61,686)	1,812,792
Less accumulated depreciation/amortization for:				
Buildings	(307,603)	(29,075)	103	(336,575)
Improvements other than buildings	(50,746)	(4,361)	6	(55,101)
Furniture and equipment	(280,782)	(30,006)	55,693	(255,095)
Software costs	(86,147)	(24,432)	1,208	(109,371)
Total accumulated depreciation/amortization	(725,278)	(87,874)	57,010	(756,142)
Total capital assets, being depreciated/amortized, net	1,029,543	31,783	(4,676)	1,056,650
Governmental activities capital assets, net	$ 4,843,737	$ 287,466	$ (72,575)	$ 5,058,628
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 568	$ -	$ -	$ 568
Construction in progress	362	4,409	-	4,771
Total capital assets, not being depreciated	930	4,409	-	5,339
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	631	-	-	631
Furniture and equipment	5,009	583	(168)	5,424
Total capital assets, being depreciated	9,029	583	(168)	9,444
Less accumulated depreciation for:				
Buildings	(2,105)	(54)	-	(2,159)
Improvements other than buildings	(534)	(58)	-	(592)
Furniture and equipment	(4,158)	(337)	162	(4,333)
Total accumulated depreciation	(6,797)	(449)	162	(7,084)
Total capital assets, being depreciated, net	2,232	134	(6)	2,360
Business-type activities capital assets, net	$ 3,162	$ 4,543	$ (6)	$ 7,699

(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	$ 17,312
Education, support services	1,571
Health, social services	13,995
Law, justice, public safety	25,407
Recreation, resource development	5,686
Transportation	14,015
Regulation of business	1,617
Unallocated	992
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	7,279
Total depreciation/amortization expense - governmental activities	$ 87,874
Business-type activities:	
Enterprise	$ 449
Total depreciation expense - business-type activities	$ 449

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2008, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	$ 345,647	$ 234,298	$ (196,342)	$ 383,603
Land	64,601	806	-	65,407
Collections	8,796	982	-	9,778
Total capital assets, not being depreciated	419,044	236,086	(196,342)	458,788
Capital assets, being depreciated				
Buildings	1,432,501	214,746	(8,618)	1,638,629
Land and improvements	82,171	6,986	(146)	89,011
Machinery and equipment	281,320	27,083	(14,763)	293,640
Library books and media	102,605	6,447	(903)	108,149
Total capital assets, being depreciated	1,898,597	255,262	(24,430)	2,129,429
Less accumulated depreciation for:				
Buildings	(414,809)	(38,460)	577	(452,692)
Land and improvements	(63,325)	(4,054)	80	(67,299)
Machinery and equipment	(170,247)	(26,963)	12,500	(184,710)
Library books and media	(87,611)	(6,530)	901	(93,240)
Total accumulated depreciation	(735,992)	(76,007)	14,058	(797,941)
Total capital assets, being depreciated, net	1,162,605	179,255	(10,372)	1,331,488
Nevada System of Higher Education activity capital assets, net	$ 1,581,649	$ 415,341	$ (206,714)	$ 1,790,276

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, 2008 are comprised of the following (expressed in thousands):

	Fixed Interest Rates	Original Amount	Principal Outstanding
Governmental activities:			
General obligation bonds:			
Subject to Constitutional Debt Limitation	2.0-7.0%	$ 1,642,660	$ 1,192,505
Exempt from Constitutional Debt Limitation	1.6-7.0%	1,417,200	717,220
Special obligation bonds:			
Exempt from Constitutional Debt Limitation-Highway Improvement Revenue Bonds	3.5-6.0%	963,925	774,300
Subtotal		4,023,785	2,684,025
Issuance premiums		131,527	100,771
Governmental activities bonds payable		4,155,312	2,784,796
Business-type activities:			
General obligation bonds:			
Exempt from Constitutional Debt Limitation	2.0-6.5%	145,280	115,805
Special obligation bonds:			
Housing Bonds	2.6-8.02%	1,441,930	886,195
Subtotal		1,587,210	1,002,000
Issuance premiums		2,919	2,090
Business-type activities bonds payable		1,590,129	1,004,090
Total bonds payable		$ 5,745,441	$ 3,788,886

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, 2008 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,964,616	$ 318,639	$ (373,530)	$ 1,909,725	$ 130,245
Special obligation bonds	693,285	129,970	(48,955)	774,300	51,420
Subtotal	2,657,901	448,609	(422,485)	2,684,025	181,665
Issuance premiums	91,543	17,861	(8,633)	100,771	8,956
Total bonds payable	2,749,444	466,470	(431,118)	2,784,796	190,621
Obligations under capital leases	15,955	6,006	(2,070)	19,891	2,380
Compensated absences obligations	97,905	128,548	(127,061)	99,392	66,591
Arbitrage rebate liability	999	154	(578)	575	-
Certificates of participation	60,455	-	(1,135)	59,320	1,290
Governmental activities long-term obligations	$ 2,924,758	$ 601,178	$ (561,962)	$ 2,963,974	$ 260,882
Business-type activities:					
Bonds payable					
General obligation bonds	$ 117,310	$ 5,445	$ (6,950)	$ 115,805	$ 7,080
Special obligation bonds	782,307	141,895	(38,007)	886,195	14,447
Subtotal	899,617	147,340	(44,957)	1,002,000	21,527
Issuance premiums	2,221	25	(156)	2,090	156
Total bonds payable	901,838	147,365	(45,113)	1,004,090	21,683
Compensated absences obligations	1,561	2,118	(2,064)	1,615	1,034
Arbitrage rebate liability	30	27	(8)	49	-
Tuition benefits payable	115,918	5,862	(3,113)	118,667	7,400
Business-type activities long-term obligations	$ 1,019,347	$ 155,372	$ (50,298)	$ 1,124,421	$ 30,117

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, 2008, 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
2009	$ 181,665	$ 129,254	$ 21,527	$ 41,684
2010	180,250	119,784	17,268	40,636
2011	189,010	110,839	22,336	39,797
2012	162,195	101,578	19,577	38,661
2013	164,545	93,419	20,336	37,708
2014-2018	749,820	350,023	115,736	172,799
2019-2023	606,005	179,341	171,716	137,611
2024-2028	444,835	49,055	162,631	93,763
2029-2033	3,295	1,112	178,143	56,626
2034-2038	2,405	244	198,275	23,851
2039-2043	-	-	71,705	4,451
2044-2048	-	-	2,750	334
Total	$ 2,684,025	$ 1,134,649	$ 1,002,000	$ 687,921

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, 2008, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	$ 2,963,124
Less: Bonds and leases payable as of June 30, 2008, subject to limitation	(1,214,991)
Remaining debt capacity	$ 1,748,133

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. Twenty-four projects were funded through the Nevada Municipal Bond Bank as of June 30, 2008, and total investments in local governments amounted to $340,445,000.

F. Refunded Debt and Redemptions

In 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, 2008 is $199,892,000.

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

At June 30, 2008, the amount available to service debt in the Consolidated Bond Interest and Redemption debt service fund is $149,708,068. At June 30, 2008, the amount available to service debt in the Highway Revenue Bonds debt service fund is $34,039,957. At June 30, 2008, the amount available to service the debt in the Municipal Bond Bank special revenue fund is $340,526,732.

The amount to be provided by other governments of $140,080,000 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 and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2008, include equipment with a historical cost of $9,250,000 with accumulated depreciation of $5,303,000 and building improvements of $11,149,000 capitalized at year end.

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, 2008 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2009	$ 3,163
2010	2,706
2011	2,656
2012	2,158
2013	1,500
2014-2018	7,732
2019-2023	5,277
Total minimum lease payments	25,192
Less: amount representing interest	(5,301)
Obligations under capital leases	$ 19,891

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, 2008, and changes for the fiscal year then ended is presented in Section B of this note.

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	$118,667,000
Net assets available	118,102,937
Net assets as a percentage of tuition benefits obligatior	99.52%

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

	Universities	Community Colleges
Fall 2009	5.02%	4.80%
Fall 2010	4.96%	5.00%
Fall 2011 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.

(Note 8 Continued)

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, 2008 (expressed in thousands):

Year Ending June 30	Principal	Interest
2009	$ 1,290	$ 2,700
2010	1,370	2,647
2011	1,500	2,591
2012	1,630	2,526
2013	1,780	2,456
2014-2018	11,465	10,966
2019-2023	9,670	8,751
2024-2028	15,160	6,117
2029-2033	15,455	1,955
Total	$ 59,320	$ 40,709

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, 2008, there are twenty-two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of $988,822,620.

N. Pledged Revenue

Pledged motor vehicle and special fuel tax - the State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay $774.3 million in outstanding Highway Improvement Revenue Bonds that were issued from December 2000 through April 2008 for highway construction projects and property acquisition. Total principal and interest remaining on the bonds is $1,065.4 million payable through December 2026. Upon completion of eligible projects, federal aid of $225.9 million is expected to be received in fiscal year 2009. For the current year, principal and interest paid was $81,682,385, and total motor vehicle fuel and special fuel tax revenues were $293,941,180.

Pledged Nevada Housing Division program funds - the single-family bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; the rights and interest of the Housing Division in all mortgage loans purchased under the various bond certificates; revenues which primarily include mortgage repayments and the net income, if any, derived as a result of foreclosure or other action taken in the event of a default on such a mortgage loan; curtailments, consisting generally of all amounts representing monthly principal payments with respect to mortgage loans which are received in advance of the scheduled amortization thereof; and all earnings realized by the investment of monies in all funds and accounts as well as all funds and accounts created by the various bond certificates. Total principal and interest remaining on single-family bonds is $326.5 million payable through June 2048. For the current year, principal and interest paid on single-family bonds was $16,482,435, and program revenues were $97,108,804.

The multi-unit bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; all earnings realized from the investment of bond proceeds; after permanent financing, all revenues received from the development including housing assistance and rental payments made by tenants, notes receivable collateralized by deeds of trust and the rights to FHA insurance, draws on bank letters of credit, private mortgage and hazard insurance and condemnation proceeds. Total principal and interest remaining on multi-unit bonds is $1,202.6 million payable through June 2043. For the current year, principal and interest paid on multi-unit bonds was $59,575,961, and program revenues were $86,822,565.

O. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2008, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	$ 472,148	$ 11,200	$ (28,557)	$ 454,791	$ 16,679
Issuance premiums	12,057	-	(471)	11,586	471
Total bonds payable	484,205	11,200	(29,028)	466,377	17,150
Obligations under capital leases	12,483	1,027	(2,910)	10,600	3,036
Compensated absences obligations	41,572	32,015	(28,247)	45,340	30,948
Total	$ 538,260	$ 44,242	$ (60,185)	522,317	51,134
Discretely presented component units of the NSHE:					
Capital leases				1,049	332
Compensated absences obligations				12	12
Total				$ 523,378	$ 51,478

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, 2008 (expressed in thousands):

Year Ending June 30	Principal	Interest
2009	$ 17,150	$ 20,689
2010	17,828	20,009
2011	18,820	19,264
2012	18,045	18,544
2013	18,465	17,783
2014-2018	93,663	76,576
2019-2023	84,725	56,023
2024-2028	77,863	36,891
2029-2033	81,537	18,100
2034-2038	38,281	2,167
Total	$ 466,377	$ 286,046

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
2009	$ 3,463
2010	2,384
2011	2,111
2012	976
2013	981
2014-2018	1,928
Total minimum lease payments	11,843
Less: amount representing interest	(1,243)
Obligations under capital leases	$ 10,600

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2008, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	$ 110,965	$ -	$ (1,705)	$ 109,260	$ 5,200
Issuance premiums	3,398	-	(247)	3,151	247
Issuance discounts	(20)	-	10	(10)	(10)
Unamortized refunding charges	(5,491)	-	348	(5,143)	(348)
Total bonds payable	108,852	-	(1,594)	107,258	5,089
Compensated absences obligations	254	156	(186)	224	161
Total	$ 109,106	$ 156	$ (1,780)	$ 107,482	$ 5,250

(Note 8 Continued)

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
2009	$ 5,200	$ 5,380
2010	5,490	5,091
2011	5,770	4,792
2012	6,065	4,482
2013	6,400	4,156
2014-2018	38,535	15,212
2019-2023	17,480	7,910
2024-2028	21,955	3,264
2029-2033	2,365	91
Total	$ 109,260	$ 50,378

Note 9 - Pensions and Other Employee Benefits

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

A. PERS

Plan Description - All full-time State employees and full-time employees of participating local government entities in the State are members in the PERS, a defined benefit cost-sharing, multiple-employer public employees' retirement system established in 1947 by the Nevada Legislature. PERS provides a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. Any government employer in the State may elect to have its regular and police/fire employees covered by PERS. At June 30, 2008, there were 173 participating employers and other contributing entities.

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

Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. 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. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allows the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on estimated current values and Member Appraisal Institute independent appraisals. Investments that do not have an established market are reported at estimated fair value.

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

(Note 9 Continued)

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

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2008 were as follows:

	Statutory Rate	
	Employer	Employees
Regular employees:		
Employer-pay plan	20.50%	na
Employee/employer plan (matching rate)	10.50%	10.50%
Police and Fire employees:		
Employer-pay plan	33.50%	na
Employee/employer plan (matching rate)	17.25%	17.25%

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

	2008	2007	2006
Primary Government	$ 146,754	$ 136,270	$ 128,981
Component Units:			
Colorado River Commission	448	403	369
Nevada System of Higher Education	27,269	24,988	23,114
Total component units	27,717	25,391	23,483
Total reporting entity	$ 174,471	$ 161,661	$ 152,464
Contributions as % of covered payroll	16%	16%	15%
Percentage of pension costs contributed	100%	100%	100%

B. LRS

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

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

Summary of Significant Accounting Policies – LRS uses the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Unfunded portions of actuarially determined liabilities for retirement benefits are not recorded in the financial statements.

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

Contributions - The Legislator contribution of 15% of compensation is paid by the Legislator only when the Legislature is in session, as required by statute. The Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 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 State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2007, of which $185,383 (half) was recognized as employer contributions in the fiscal year ended June 30, 2007, and 2008. Employee contributions of $61,280 were received in fiscal year 2007, of which, $30,640 (half) was recorded as employee contributions in 2007, and 2008.

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:

(Note 9 Continued)

Actuarial Cost Method:	Entry age normal cost
Amortization Method:	Level dollar closed
Remaining Amortization Period:	18 years
Asset Valuation Method:	Five year smoothed market
Actuarial Assumptions:	
Investment yield	8%
Projected salary increases	None
Retirement Age for Active Members:	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.
Assumed Mortality Rate:	1983 Group Annuity Mortality Table
Cost of Living (Post-Retirement) Increases:	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
2006	$ 206	$ 206	100%	$ -
2007	185	185	100%	-
2008	185	185	100%	-

Funded Status and Funding Progress – As of January 1, 2007, the most recent actuarial valuation date, the LRS was 73% funded. The actuarial accrued liability for benefits was $5.9 million, and the actuarial value of assets was $4.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $ .4 million, and the ratio of the UAAL to the covered payroll was 409%.

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

C. JRS

Plan Description - The Judicial Retirement System of Nevada (JRS) is the administrator of an agent multiple-employer public employees defined benefit retirement system established in 2001 by the Nevada Legislature. The JRS is legislated by and functions in accordance with laws established by the Nevada Legislature. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. As of January 1, 2008, the Supreme Court and eight municipalities in Nevada had elected to participate in JRS.

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

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

Option 1 - 2003 Benefit Plan: Benefits, as required by statue, 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 a total maximum of 22 years, times the member's compensation for their last year of service.

(Note 9 Continued)

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

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

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

Actuarial Information – Actuarial valuations of the JRS are prepared annually on a calendar year basis. Significant actuarial assumptions used in the January 1, 2008 valuation include the following:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level dollar closed
Remaining Amortization Period:	30 years
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Investment yield	8%
Projected salary increases	Base increases of 3% per year Longevity increases of 2% per year after four years, maximum longevity increases of 22%
Retirement Age for Active Members:	Retirement rates after completion of five years of service and attainment of the following ages:

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

Assumed Mortality Rate:	1994 Group Annuity Mortality Table (sex distinct) set forward one year
Cost of Living (Post-Retirement) Increases:	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
2006	$ 3,471	$ 3,482	100%	$ -
2007	3,423	3,779	110%	-
2008	3,901	4,088	105%	-

(Note 9 Continued)

Funded Status and Funding Progress – As of January 1, 2008, the most recent actuarial valuation date, the JRS was 65% funded. The actuarial accrued liability for benefits was $62.1 million, and the actuarial value of assets was $40.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of $22.0 million. The covered payroll (annual payroll of active employees covered by the plan) was $11.5 million, and the ratio of the UAAL to the covered payroll was 191%.

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

D. Other Postemployment Benefits

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

Implementation of GASB 45 – This Statement has been implemented prospectively by the State for the fiscal year ended June 30, 2008. Legislation effective July 1, 2007 amended the Nevada Revised Statutes (NRS) making the various changes regarding the management of the Public Employees' Benefits Program. NRS 287.0436 established an irrevocable trust fund, the Retirees' Fund for the purpose of providing retirement benefits other than a pension. The Retirees' Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retiree's Fund as a trust fund. The Retirees' Fund financial report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

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

Method Used to Value Investments – Investments are reported at fair value, which for the Retirees' Fund is determined by the Retirement Benefits Investment Fund.

Contributions and Funding Policy - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2007 through April 30, 2008, the rate assessed was 4.29%, from May 1, 2008 through June 30, 2008 the rate assessed was 2.58% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. For the year ended June 30, 2008, the State and its component units contributed $59,263,078 to the plan, including $39,590,702, which is 100% of the contractually required contribution, and an additional $19,672,376 to prefund benefits. Prior to the establishment of the Retirees' Fund, the State's contributions to the PEBP for the years ended June 30, 2007 and 2006, were $28,479,026, and $28,320,825, respectively, which equaled 100% of the required contributions each year.

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, 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
Claims and changes in estimates	206,650	8,822
Claim payments	(199,098)	(12,170)
Balance June 30, 2008	$ 32,634	$ 43,802

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, 2008. 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 fourteen 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 nineteen public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' Benefit Program Board. The Board is composed of nine members: eight members appointed by the Governor, and the Director of the Department of Administration or his designee.

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

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

B. Insurance Premiums Fund

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

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy. For the year ended June 30, 2008, the loss retention for this policy was $1,500,000. Liabilities in the amount of $35,129,346 as of June 30, 2008 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, 2008.

The Fund is financed by the State. The State has a maximum exposure of $50,000 through October 1, 2007 and $75,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. 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, 2008, 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 $12,342,600 to $23,616,300 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, 2008 total liabilities exceeded total assets by $25,725,309. The Fund is liable for approximately $25,700,000 as of June 30, 2008 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 11 - Fund Balances and Net Assets

A. Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports $1,994,781 (expressed in thousands) of restricted net assets for the primary government of which $132,723 (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, 2008, are explained as follows (expressed in thousands):

	General	State Highway	Other Governmental	Total
Fund balances, reserved for other:				
Reserved for prepaid items	$ 1,217	$ 55	$ 147	$ 1,419
Reserved for noncurrent receivables - notes	456	-	37	493
Total fund balances, reserved for other	$ 1,673	$ 55	$ 184	$ 1,912
Fund balances, unreserved, designated, reported in nonmajor:				
Special revenue funds:				
Designated for principal preservation			$ 223	$ 223
Designated for legislatively approved allocations			4,190	4,190
Total special revenue funds			4,413	4,413
Capital project funds:				
Designated for approved capital projects			17,403	17,403
Total fund balances, unreserved, designated, reported in nonmajor funds			$ 21,816	$ 21,816

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 $7,363 for the fiscal year ended June 30, 2008, resulting in net liabilities (negative net assets) of $7,640 at June 30, 2008.

Enterprise Funds

Nevada Magazine - The Nevada Magazine Fund accounts for the operation of the publication, *Nevada Magazine*, which is published to promote tourism. The fund shows a decrease in net assets of $27,966 for the fiscal year ended June 30, 2008, resulting in net liabilities (negative net assets) of $188,334 at June 30, 2008.

Higher Education Tuition Trust - The Higher Education Tuition Trust Fund accounts for the receipts and disbursements related to prepaid tuition contracts that allow the cost of tuition to be paid in advance of enrollment at an institution of higher education. The fund shows a decrease in net assets of $5,856,423 for the fiscal year ended June 30, 2008, resulting in net liabilities (negative net assets) of $564,063 at June 30, 2008.

Internal Service Fund

Insurance Premiums - The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded an increase in net assets of $4,158,411 for the year ended June 30, 2008, resulting in net liabilities (negative net assets) of $25,725,309 at June 30, 2008.

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, Real Property Transfer 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. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork encouraging participation in the arts throughout Nevada.

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 the tax. The Live Entertainment Tax is collected by the Department of Taxation as well as the Gaming Control Board. The Gaming Control Board's collection of the Live Entertainment Tax has not been challenged, as far as we know. Should a refund be granted, the estimated amount to date is $24.2 million. However, if the tax is found to be unconstitutional on its face, the statute may be completely stricken.

PERS - The Public Employees' Retirement System (PERS) has entered into investment funding commitments related to alternative investments to fund an additional $434.7 million at some future date. Alternative investments consist of acquisitions, industry consolidations, subordinated debt instruments, special situations, and venture capital.

(Note 14 Continued)

Leases - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Assets. Primary government lease expense for the year ended June 30, 2008 amounted to $32.7 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, 2008 (expressed in thousands):

For the Year Ending June 30	Amount
2009	$ 25,355
2010	21,177
2011	17,400
2012	11,097
2013	8,451
2014-2018	11,079
2019-2023	2,396
2024-2028	662
Total	$ 97,617

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, 2008, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date. The present value of the rebatable arbitrage is $624,000 and has been recorded as a liability in the Statement of Net Assets at June 30, 2008. Future calculations might result in different rebatable arbitrage amounts.

Construction Commitments – As of June 30, 2008, the Nevada Department of Transportation had total contractual commitments of approximately $571.3 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total $171.4 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2008, 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 $7,146,000.

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

The United States is engaged in a war against terrorism likely to continue to have far-reaching effects on economic activity in the country for an indeterminate period. The long-term impact on the southern Nevada economy and the CRC's operations cannot be predicted at this time, but may be substantial.

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. Rebatable 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.

Note 15 - Subsequent Events

Primary Government

Bonds - The following bonds were sold after June 30, 2008:

General Obligation Bonds - $279,825,000 Series 2008C, General Obligation (Limited Tax), Capital Improvement and Cultural Affairs Bonds, due in annual installments ranging from $12,995,000 to $25,415,000 due on June 1, 2013 through 2027, plus interest at 5.00% payable semi-annually on June 1st and December 1st, commencing December 1, 2008. The Series 2008C Bonds maturing on and after June 1, 2019 will be subject to optional redemption on and after June 1, 2018. The Series 2007A Bonds are subject to the Constitutional Debt Limit.

$13,000,000 Series 2008D General Obligation (Limited Tax), Natural Resources Bonds, due in annual installments ranging from $595,000 to $1,105,000 due on June 1, 2013 through 2028, plus interest ranging from 3.50% to 5.00% payable semi-annually on June 1st and December 1st, commencing December 1, 2008. The Series 2008D Bonds maturing on and after June 1, 2019 will be subject to optional redemption on and after June 1, 2018. The Series 2008D Bonds are not subject to the Constitutional Debt Limit.

$7,500,000 Series 2008E General Obligation (Limited Tax), Open Space, Parks and Cultural Resources Bonds, due in annual installments ranging from $715,000 to $970,000 due on June 1, 2013 through 2021, plus interest ranging from 3.50% to 4.125% payable semi-annually on June 1st and December 1st, commencing December 1, 2008. The Series 2008E Bonds maturing on and after June 1, 2019 will be subject to optional redemption on and after June 1, 2018. The Series 2008E Bonds are subject to the Constitutional Debt Limit.

$3,330,000 Series 2008F General Obligation (Limited Tax), Safe Drinking Water Act Revolving Fund Matching Bonds, due in annual installments ranging from $280,000 to $390,000 due on August 1, 2009 through 2018, plus interest ranging from 3.50% to 4.00% payable semi-annually on February 1st and August 1st, commencing February 1, 2009. The Series 2008F Bonds are not subject to optional redemption prior to their respective maturities. The Series 2008F Bonds are not subject to the Constitutional Debt Limit.

$1,000,000 Series 2008G General Obligation (Limited Tax), Water Pollution Control Revolving Fund Matching Bonds, due in annual installments of $500,000 due on August 1, 2009 through 2010, plus interest at 3.00% payable semi-annually on February1st and August 1st, commencing February 1, 2009. The Series 2008G Bonds are not subject to optional redemption prior to their respective maturities. The Series 2008G Bonds are not subject to the Constitutional Debt Limit.

Line of Credit – During a one-day special session on December 8, 2008, the Nevada Legislature passed AB2, which authorizes the State Treasurer to establish a line of credit on behalf of the State with the Local Government Pooled Investment Fund (Fund) for an amount that does not exceed $160 million. To establish the line of credit, the State Treasurer may, on or before August 31, 2009, sell notes to the Fund. The proceeds from the sale of the notes, less the costs of issuance, must be deposited into the State General Fund and used for the operations of the State. The notes will earn monthly interest at a rate equal to 25 basis points above the monthly rate of earnings of all the investments of money in the Fund, other than the investments in those notes, during the immediately preceding calendar month. The money borrowed from the Fund must be repaid in periodic installments in such a manner that the entire principal amount borrowed is repaid not later than August 31, 2013.

Pending Litigation - The Debt Service Agreement with Lehman Brothers Commercial Bank was terminated on October 24, 2008. US Bank has returned to the State all funds under the contract and has closed the account.

On September 14, 2008, Lehman Brothers Holding Inc. declared bankruptcy. Under the Security Lending Agreement, the State of Nevada owns a corporate note. Also, the Public Employee Retirement Plan held equity and debt obligations of Lehman Brothers Holding Inc. The ultimate value of Lehman debt securities will not be known until the bankruptcy proceedings are completed.

In August and September, 2008, The Las Vegas Metropolitan Police Department (Metro) paid $399,813 out of $1,578,139 in past due amounts. Despite a ruling by the State Supreme Court in Self Insurance Trust Fund's favor, Metro refuses to pay the remaining amount because Metro disputes the eligibility of certain retirees covered by PEBP, the requirement to pay a subsidy for certain retirees covered by the PEBP and the requirement to pay late payment penalties. Self Insurance Trust Fund is exploring all options for collection and expects these premiums to be ultimately collectible. Accordingly, no allowance has been recorded. However, the unpaid balance of $1,238,326 is shown as a noncurrent receivable.

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Note 16 - Accounting Changes and Restatements

Fund Balances as of July 1, 2007 have been restated in the Consolidated Bond Interest & Redemption Fund (Debt Service Fund) and the CIP Miscellaneous Fund (Capital Projects Fund) in order to report the activity of the Nevada Real Property Corporation (NRPC) in its own fund. In prior periods, the activity of NRPC was reported within these funds. Based on GASB 14, paragraph 54, we have concluded that the activity of NRPC should be reported as a special revenue fund. Thus, we have added a special revenue fund to the CAFR for the NRPC, and have reduced the beginning fund balances of the Consolidated Bond Interest & Redemption Fund and the CIP Miscellaneous fund by $4,705,057 and $4,223,314, respectively. The beginning fund balance of the NRPC (Special Revenue Fund) has been restated as $8,928,371, the total of the reductions of the beginning fund balances in the two other funds.

The State implemented the Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. This Statement improves the usefulness of financial reporting by requiring that specific relevant disclosures be made to inform financial statement users about the unavailability of future revenues that have been pledged or sold. The required disclosures are presented in Note 8, Section N.

The State implemented prospectively GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This approach is consistent with the one adopted in Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, with modifications to reflect differences between pension benefits and OPEB. As a result of Statement No. 45, the State established a trust fund to account for activity related to postemployment healthcare insurance. The required disclosures are presented in Note 9, Section D.

The State implemented GASB Statement No. 50, Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27. This Statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The required disclosures are presented in Note 9, Sections A-C.

Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2008 (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	$ 745,994	$ 745,994	$ 745,994	$ -	$ 348,259	$ 348,259	$ 348,259	$ -
Revenues:								
Sales taxes	1,086,457	984,516	985,740	1,224	-	-	-	-
Gaming taxes, fees, licenses	1,039,751	950,015	937,331	(12,684)	-	-	-	-
Intergovernmental	1,472,320	1,749,796	1,479,824	(269,972)	226,873	238,133	235,822	(2,311)
Other taxes	1,136,922	1,037,100	1,048,450	11,350	339,704	343,328	317,593	(25,735)
Sales, charges for services	177,541	184,420	175,709	(8,711)	29,128	29,936	19,870	(10,066)
Licenses, fees and permits	452,566	458,294	423,196	(35,098)	189,561	191,755	184,155	(7,600)
Interest	53,979	76,320	71,854	(4,466)	9,118	9,121	19,862	10,741
Other	239,982	307,588	238,702	(68,886)	50,181	50,300	44,103	(6,197)
Other financing sources:								
Proceeds from sale of bonds	3,000	17,565	17,565	-	135,000	135,000	134,995	(5)
Transfers	220,259	527,194	817,338	290,144	10,998	52,884	35,043	(17,841)
Reversions from other funds	-	-	10,111	10,111	-	-	-	-
Total sources	6,628,771	7,038,802	6,951,814	(86,988)	1,338,822	1,398,716	1,339,702	(59,014)
Uses of Financial Resources								
Expenditures and encumbrances:								
Constitutional agencies	166,187	177,122	138,829	38,293	-	-	-	-
Finance and administration	90,907	95,279	79,886	15,393	-	-	-	-
Education	2,499,747	2,717,177	2,576,881	140,296	-	-	-	-
Human services	2,549,603	2,684,310	2,490,792	193,518	-	-	-	-
Commerce and industry	179,282	189,042	114,335	74,707	-	-	-	-
Public safety	441,011	521,413	409,048	112,365	200,483	201,542	184,532	17,010
Infrastructure	467,491	537,113	321,640	215,473	824,405	890,007	648,796	241,211
Special purpose agencies	34,386	39,514	31,709	7,805	-	-	-	-
Other financing uses:								
Transfers to other funds	83,740	85,740	85,740	-	87,556	90,305	90,305	-
Reversions to other funds	-	-	4,406	(4,406)	-	-	338	(338)
Projected reversions	(60,000)	(60,000)	-	(60,000)	-	-	-	-
Total uses	6,452,354	6,986,710	6,253,266	733,444	1,112,444	1,181,854	923,971	257,883
Fund balances, June 30	$ 176,417	$ 52,092	$ 698,548	$ 646,456	$ 226,378	$ 216,862	$ 415,731	$ 198,869

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
$ -	$ -	$ -	$ -	$ 277,016	$ 277,016	$ 277,016	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,210	64,210	41,229	(22,981)	-	400	315	(85)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,000	2,993	2,993	-
-	-	-	-	-	-	-	-
64,210	64,210	41,229	(22,981)	279,016	280,409	280,324	(85)
-	-	-	-	5,614	10,454	1,119	9,335
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,329	1,579	-	1,579
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,210	64,210	41,217	22,993	200,000	195,000	195,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
64,210	64,210	41,217	22,993	206,943	207,033	196,119	10,914
$ -	$ -	$ 12	$ 12	$ 72,073	$ 73,376	$ 84,205	$ 10,829

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 9 are reported instead of the amounts disclosed in the original budget. The September 9, 2008 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, 2008 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, 2008	$ 698,548	$ 415,731	$ 12	$ 84,205
Adjustments:				
Basis differences:				
Petty cash or outside bank accounts	7,747	136	-	-
Investments not recorded on the budgetary basis	21,298	-	340,445	-
Accrual of certain other receivables	116,997	2,723	10	52
Inventory	-	11,324	-	-
Advances to other funds	9,609	4	-	-
Deferred charges and other assets	-	-	-	-
Accrual of certain accounts payable and other liabilities	(253,377)	-	-	-
Accrual of longevity pay	(1,420)	(216)	-	-
Deferred revenues	(212,083)	-	-	(10)
Encumbrances	7,280	3,541	-	-
Other	5,152	2,031	60	41
Fund balances (GAAP basis) June 30, 2008	$ 399,751	$ 435,274	$ 340,527	$ 84,288

Total fund balance on the budgetary basis in the General Fund at June 30, 2008, 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)	$ 698,548
Restricted funds	(383,686)
Unrestricted fund balance (budgetary basis)	$ 314,862

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

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 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
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
2006	$ 49,667	$ 26,090	$ 23,577	53%	$ 9,166	257%
2007	55,009	32,431	22,578	59%	9,088	248%
2008	62,067	40,076	21,991	65%	11,492	191%

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.

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 1,100 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from Category I, representing the busiest roadways and interstates, to Category V, representing the least busy rural routes with an average daily traffic of less than 200 vehicles. In odd numbered calendar years the State completes a condition assessment of its roadways. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 80. The State has set a policy that it will maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. 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 2007 condition assessment	82%	82%	88%	61%	25%
Actual results of 2005 condition assessment	81%	78%	89%	61%	26%
Actual results of 2003 condition assessment	83%	72%	90%	65%	38%

Condition Level of the Bridges

Percentage of substandard bridges

	2007	2005	2003
State Policy-maximum percentage	10%	10%	10%
Actual results conditon assessment	4%	3%	5%

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

Maintenance and Preservation Costs

(Expressed in Thousands)

	2008	2007	2006	2005	2004
Estimated	$ 155,051	$ 243,191	$ 207,751	$ 153,148	$ 338,180
Actual	146,507	218,923	196,080	151,363	288,315

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.
A PROFESSIONAL CORPORATION
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, 2008, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 12, 2008 (except for the information contained on pages 73 through 159, as to which the date is March 13, 2009). 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 Fund, the Pension and Other Employee Benefit Trust Funds, and the Nevada College Savings Plan – Private Purpose Trust Fund, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. The financial statements of the Higher Education Tuition Trust Enterprise Fund, the Self Insurance Internal Service Fund, the Pension and Other Employee Benefit Trust Funds, and the Nevada College Savings Plan – Private Purpose Trust Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the State'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.

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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters:

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

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

Kafoury, Armstrong & Co.

Reno, Nevada
December 12, 2008

KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
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, 2008. 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 12, 2008 (except for the information contained on pages 73 through 159, as to which the date is March 13, 2009), 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, 2008.

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 08-01 through 08-11 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.

Kafoury, Armstrong & Co.

Reno, Nevada
March 13, 2009

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Department of Agriculture				
Research and Development CLUSTER				
Agricultural Research_Basic and Applied Research	10.001	58-5325-5-691	$ 28,009	$ -
Rural Development, Forestry, and Communities	10.672	04-DG-11046000-049	69,400	-
Rural Development, Forestry, and Communities	10.672	07-DG-11046000-621	20,000	-
			89,400	**-**
Total Research and Development CLUSTER			**117,409**	**-**
Total Department of Agriculture			**117,409**	**-**
Department of the Interior				
Research and Development CLUSTER				
U.S. Geological Survey_Research and Data Collection	15.808	07WRAG0021	37,579	-
U.S. Geological Survey_Research and Data Collection	15.808	08WRAG0006	2,092	-
			39,671	**-**
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2000	3,261	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2003	140,161	99,000
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2004	193,016	115,376
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2005	294,264	72,331
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2006	58,680	-
Outdoor Recreation_Acquisition, Development and Planning	15.916	FFY 2007	42,372	-
			731,754	**286,707**
Total Research and Development CLUSTER			**771,425**	**286,707**
Total Department of the Interior			**771,425**	**286,707**
Department of Justice				
Research and Development CLUSTER				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2007-CD-BX-0076	73,627	73,608
Total Research and Development CLUSTER			**73,627**	**73,608**
Total Department of Justice			**73,627**	**73,608**
Department of Transportation				
Research and Development CLUSTER				
Highway Planning and Construction	20.205	SFY 08	1,155,911	-
State Planning and Research	20.515	NV-80-X013-00	78,556	78,556
State Planning and Research	20.515	NV-80-X014-00	65,513	65,513

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
State Planning and Research	20.515	NV-80-X015-00	$ 4,544	$ 4,544
			148,613	**148,613**
Total Research and Development CLUSTER			**1,304,524**	**148,613**
Total Department of Transportation			**1,304,524**	**148,613**
Environmental Protection Agency				
Research and Development CLUSTER				
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM-97958101-4	15,000	-
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96962801-1	113,959	-
Surveys, Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	XA-96995501	8,084	-
			137,043	**-**
Regional Wetland Program Development Grants	66.461	CD-96973301	57,373	-
Total Research and Development CLUSTER			**194,416**	**-**
Total Environmental Protection Agency			**194,416**	**-**
Department of Education				
Research and Development CLUSTER				
Statewide Data Systems	84.372	R372A070010	1,100,319	50,000
Total Research and Development CLUSTER			**1,100,319**	**50,000**
Total Department of Education			**1,100,319**	**50,000**
Department of Health and Human Services				
Research and Development CLUSTER				
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	5 STTMP051009-03	93,985	4,000
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	6 STTMP051009-02	67,958	31,796
			161,943	**35,796**
Food and Drug Administration_Research	93.103	5R13FD002638	7,991	-
Primary Care Services_Resource Coordination and Development	93.130	6 U68CS00199-21-01	149,455	-
Primary Care Services_Resource Coordination and Development	93.130	6 U68CS00199-22	43,903	-
			193,358	**-**
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 VF1 CE001137-01	51,177	36,794
Injury Prevention and Control Research and State and Community Based Programs	93.136	5 VF1 CE001137-02	111,017	70,745
Injury Prevention and Control Research and State and Community Based Programs	93.136	U17/CCU924825-02	10,036	5,000

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Injury Prevention and Control Research and State and Community Based Programs	93.136	U17/CCU924825-03	$ 90,615	$ -
			262,845	**112,539**
Social Services Research and Demonstration	93.647	90TA002301-2006	76,531	-
Social Services Research and Demonstration	93.647	90TA002301-2007	11,900	-
			88,431	**-**
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-15	268,699	151,545
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-20199/9-16	68,370	27,482
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	11-P-93035-9/04	478,868	173,643
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LACMS300023/01	153,396	74,114
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	1LOCMS030180	87,434	-
			1,056,767	**426,784**
Total Research and Development CLUSTER			**1,771,335**	**575,119**
Total Department of Health and Human Services			**1,771,335**	**575,119**
Grand Total Research and Development CLUSTER			**5,333,055**	**1,134,047**
Department of Agriculture				
Child Nutrition CLUSTER				
School Breakfast Program	10.553	7NV300NV3	14,103,551	13,838,453
National School Lunch Program	10.555	7NV300NV3	56,741,329	56,384,142
National School Lunch Program	10.555	SFY08	8,162,404	7,955,602
			64,903,733	**64,339,744**
Special Milk Program for Children	10.556	7NV300NV3	115,098	115,098
Summer Food Service Program for Children	10.559	7NV300NV3	1,292,144	1,292,144
Summer Food Service Program for Children	10.559	SFY08	1,033	-
			1,293,177	**1,292,144**
Total Child Nutrition CLUSTER			**80,415,559**	**79,585,439**
Emergency Food Assistance CLUSTER				
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV400NV2	69,340	25,220
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8	259,961	110,809
Emergency Food Assistance Program (Administrative Costs)	10.568	7NV810NV8-FY07	47,926	21,630
			377,227	**157,659**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Emergency Food Assistance Program (Food Commodities)	10.569	SFY08	$ 1,147,180	$ 1,141,668
Total Emergency Food Assistance CLUSTER			**1,524,407**	**1,299,327**
Food Stamp CLUSTER				
Food Stamps	10.551	SFY 2008	158,712,408	-
State Administrative Matching Grants for Food Stamp Program	10.561	7NV4004NV	12,273,378	-
Total Food Stamp CLUSTER			**170,985,786**	**-**
Schools and Roads CLUSTER				
Schools and Roads_Grants to States	10.665	N/A	438,270	438,270
Total Schools and Roads CLUSTER			**438,270**	**438,270**
Plant and Animal Disease, Pest Control, and Animal Care	10.025	04-8576-0836-CA	274,041	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1428-CA	17,666	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1455-CA	5,677	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	05-9732-1467-CA	68,723	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1619-CA	3,279	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1634-CA	35,175	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1716-CA	31,352	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	06-9732-1721-CA	17,007	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-0016-CA	106,400	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-0526-CA	15,710	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-0596-CA	61,876	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-1057-CA	21,437	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-8576-1085-CA	17,479	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1455-CA	23,576	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1541-CA	31,349	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1619-CA	2,300	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1636-CA	10,106	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1647-CA	76,909	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1716-CA	30,527	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1721-CA	23,156	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	07-9732-1836-CA	20,362	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-0016-CA	36,179	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-0526-CA	952	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-0596-CA	32,613	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-8576-1057-CA	53	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	08-9732-1541-CA	$ 2,211	$ -
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1636-CA	1,102	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1647-CA	4,419	-
Plant and Animal Disease, Pest Control, and Animal Care	10.025	08-9732-1839-CA	4,889	-
			976,525	**-**
Wildlife Services (Animal Damage Control)	10.028	06-7100-0156-CA	33,128	-
Avian Influenza Indemnity Program	10.029	07-7100-0156-CA	55,082	-
Inspection Grading and Standardization	10.162	12-25-A-3287	311	-
Market Protection and Promotion	10.163	12-25-A-4695	1,340	-
Market Protection and Promotion	10.163	12-25-A-4706	4,990	-
Market Protection and Promotion	10.163	12-25-A-4800	1,059	-
Market Protection and Promotion	10.163	12-25-A-4842	5,502	-
			12,891	**-**
Specialty Crop Block Grant Program	10.169	12-25-G-0524	15,713	13,145
Homeland Security_Agricultural	10.304	07-002558-07	6,656	-
State Mediation Grants	10.435	330030887300271-07	5,683	-
State Mediation Grants	10.435	330030887300271-08	12,564	-
			18,247	**-**
Meat, Poultry and Egg Products Inspection	10.477	12-25-A-3287	40,394	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	7NV700NV7	33,161,187	7,542,974
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	N/A	114,768	31,784
			33,275,955	**7,574,758**
Child and Adult Care Food Program	10.558	7NV300NV3	4,111,950	4,111,950
Child and Adult Care Food Program	10.558	SFY08	53,094	53,094
			4,165,044	**4,165,044**
State Administrative Expenses for Child Nutrition	10.560	7NV300NP2	120,695	-
State Administrative Expenses for Child Nutrition	10.560	7NV300NV3	740,731	740,731
			861,426	**740,731**
Commodity Supplemental Food Program	10.565	7NV810NV1	1,815,970	1,763,853
Food Distribution Program on Indian Reservations	10.567	7NV400NP4	185,868	-
Food Distribution Program on Indian Reservations	10.567	NONCASH ASSISTANCE	288,317	-
			474,185	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Senior Farmers Market Nutrition Program	10.576	7NV810NV2	$ 136,311	$ 118,216
Cooperative Forestry Assistance	10.664	03-CA-11046000-019	17,681	-
Cooperative Forestry Assistance	10.664	03-DG-11046000-26	34,784	267
Cooperative Forestry Assistance	10.664	04-CA-11046000-052	45,508	-
Cooperative Forestry Assistance	10.664	04-DG-11046000-027	79,300	38,850
Cooperative Forestry Assistance	10.664	04-DG-11046000-25	869,557	361,568
Cooperative Forestry Assistance	10.664	05-DG-11010000-010	26,128	25,985
Cooperative Forestry Assistance	10.664	05-DG-11046000-051	270,337	122,458
Cooperative Forestry Assistance	10.664	05-DG-11046000-065	77,435	77,435
Cooperative Forestry Assistance	10.664	06-DG-11010000-019	86,238	73,977
Cooperative Forestry Assistance	10.664	06-DG-11046000-607	617,304	512,856
Cooperative Forestry Assistance	10.664	07-DG-11046000-604	1,716,968	973,124
Cooperative Forestry Assistance	10.664	07-DG-11046000-612	16	-
Cooperative Forestry Assistance	10.664	07-DG-11046000-616	189,328	97,214
Cooperative Forestry Assistance	10.664	07-FI-11041730-018	61,718	-
Cooperative Forestry Assistance	10.664	07-FI-1141730-048	80,300	-
Cooperative Forestry Assistance	10.664	08-FI-11041730-004	32,175	-
Cooperative Forestry Assistance	10.664	USDA/SFA/07/36	23,530	-
			4,228,307	**2,283,734**
Forest Products Lab: Technology Marketing Unit (TMU)	10.674	08-DG-11111169-057	126,903	-
Forest Legacy Program	10.676	06-DG-11046000-601	2,442	-
Forest Legacy Program	10.676	06-DG-11046000-609	51,431	47,000
			53,873	**47,000**
Forest Land Enhancement Program	10.677	05-DG-11046000-013	20,114	20,114
Forest Land Enhancement Program	10.677	06-DG-11010000-012	5,000	5,000
			25,114	**25,114**
Total Department of Agriculture			**299,686,057**	**98,054,631**
Department of Commerce				
Public Safety Interoperable Communications Grant Program	11.555	2007-GS-H7-0071	47,177	-
Total Department of Commerce			**47,177**	**-**
Department of Defense				
Procurement Technical Assistance for Business Firms	12.002	SP4800-03-2-0338	414,520	-
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	NV06-1W9128F-06-2-0137	354,907	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Military Construction, National Guard	12.400	W9124X-05 22001 (05-C13)	$ 1,903	$ -
Military Construction, National Guard	12.400	W9124X-08 22001 (08-A005)	407,126	-
			409,029	-
National Guard Military Operations and Maintenance (O&M) Projects	12.401	W9124X-04-2-(NNNN)	9,427,487	-
Total Department of Defense			**10,605,943**	-
Department of Housing and Urban Development				
Community Development Block Grants/State's Program	14.228	B-05-DC-32-0001	938,978	915,029
Community Development Block Grants/State's Program	14.228	B-06-DC-32-0001	1,196,414	1,036,725
			2,135,392	**1,951,754**
Emergency Shelter Grants Program	14.231	S-07-DC-32-0001	268,589	268,589
Shelter Plus Care	14.238	NV01C200001	160,722	-
Shelter Plus Care	14.238	NV01C401002	73,444	-
Shelter Plus Care	14.238	NV01C500001	67,222	-
Shelter Plus Care	14.238	NV01C600013	87,338	-
Shelter Plus Care	14.238	NV01C602005	170,751	-
Shelter Plus Care	14.238	NV01C700006	704,154	-
Shelter Plus Care	14.238	NV01C701005	378,171	-
			1,641,802	-
HOME Investment Partnerships Program	14.239	M03-SG320100	501,202	422,835
HOME Investment Partnerships Program	14.239	M04-SG320100	221,786	4,318
HOME Investment Partnerships Program	14.239	M05-SG320100	226,269	226,269
HOME Investment Partnerships Program	14.239	M06-SG320100	323,518	323,518
HOME Investment Partnerships Program	14.239	M07-SG320100	492,497	492,497
			1,765,272	**1,469,437**
Housing Opportunities for Persons with AIDS	14.241	NVH06-F999	48,771	48,771
Housing Opportunities for Persons with AIDS	14.241	NVH07-F999	163,108	163,108
			211,879	**211,879**
Total Department of Housing and Urban Development			**6,022,934**	**3,901,659**
Department of the Interior				
Fish and Wildlife CLUSTER				
Sport Fish Restoration	15.605	F-20-43	1,374,744	-
Sport Fish Restoration	15.605	F-30-AE-19	268,663	-
Sport Fish Restoration	15.605	F-32-D-16	29	-
Sport Fish Restoration	15.605	F-32-D-17	1,519,309	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Sport Fish Restoration	15.605	F-38-D-2	$ 700,000	$ -
Sport Fish Restoration	15.605	F-39-B-1	95,154	-
Sport Fish Restoration	15.605	F-40-B-1	44,593	-
Sport Fish Restoration	15.605	F-41-B-1	173,851	-
Sport Fish Restoration	15.605	FW-1-CP-8-F	27,284	-
Sport Fish Restoration	15.605	FW-3-T-26-F	219,490	-
Sport Fish Restoration	15.605	FW-4-D-13	855	-
Sport Fish Restoration	15.605	FW-4-D-14-F	185,596	-
			4,609,568	-
Wildlife Restoration	15.611	FW-1-CP-8-W	26,691	-
Wildlife Restoration	15.611	FW-3-T-26-W	603,985	-
Wildlife Restoration	15.611	FW-4-D-14	877,993	-
Wildlife Restoration	15.611	W-48-R-38	1,338	-
Wildlife Restoration	15.611	W-48-R-39	1,675,596	-
Wildlife Restoration	15.611	W-51-HS-33	422,309	-
Wildlife Restoration	15.611	W-58-D-18	553,404	-
Wildlife Restoration	15.611	W-61-D-11	109,891	-
Wildlife Restoration	15.611	W-64-R-8	445,074	-
			4,716,281	-
Total Fish and Wildlife CLUSTER			**9,325,849**	-
Distribution of Receipts to State and Local Governments	15.227	SFY 07	242,608	242,608
Wild Horse and Burro Resource Management	15.229	FAA060180	227,899	-
Invasive and Noxious Plant Management	15.230	FAA050037	159,445	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	FAA060209	17,881	-
Fish, Wildlife and Plant Conservation Resource Management	15.231	FAA070020	17,100	-
			34,981	-
Water Reclamation and Reuse Program	15.504	04-FG-204014	113,021	-
Water Reclamation and Reuse Program	15.504	04-FG-204017	125,799	-
Water Reclamation and Reuse Program	15.504	04-FG-204060	43,261	-
			282,081	-
Fish and Wildlife Coordination Act	15.517	06FG300024	27,943	-
Recreation Resources Management	15.524	03-FG-200028	13,922	-
Fish and Wildlife Management Assistance	15.608	14320-4-J349	30,000	-
Fish and Wildlife Management Assistance	15.608	143204-J352	116,781	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Fish and Wildlife Management Assistance	15.608	84240-7-J003	$ 59,006	$ -
Fish and Wildlife Management Assistance	15.608	84320-5-J308	57,230	-
Fish and Wildlife Management Assistance	15.608	84320-6-J428	17,956	-
			280,973	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-22	75,695	-
Cooperative Endangered Species Conservation Fund	15.615	E-1-23	67,767	-
Cooperative Endangered Species Conservation Fund	15.615	E-10-HP-1	14,233	-
Cooperative Endangered Species Conservation Fund	15.615	E-3-CC-1	6	-
Cooperative Endangered Species Conservation Fund	15.615	E-4-SH-1	2,099	-
Cooperative Endangered Species Conservation Fund	15.615	EW-3-9	17,487	-
			177,287	-
Sportfishing and Boating Safety Act	15.622	Y-2-D-1	100,000	-
Hunter Education and Safety Program	15.626	W-66-E-1	90,348	-
Landowner Incentive	15.633	I-1-1	7,198	-
Landowner Incentive	15.633	I-2-2	66,359	-
Landowner Incentive	15.633	I-8-1	75,262	-
Landowner Incentive	15.633	I-9-1	89,142	-
			237,961	-
State Wildlife Grants	15.634	FW-1-CP-8-I	3,559	-
State Wildlife Grants	15.634	FW-3-T-26-I	78,139	-
State Wildlife Grants	15.634	T-1-1	974,368	-
State Wildlife Grants	15.634	T-2-P-1	168,212	-
			1,224,278	-
Migratory Bird Conservation	15.647	10154-6-J103	74,939	-
Migratory Bird Conservation	15.647	80154-8-G001	3,661	-
			78,600	-
Historic Preservation Fund Grants-In-Aid	15.904	32-06-21531	139,136	136,580
Historic Preservation Fund Grants-In-Aid	15.904	32-07-21632	345,359	71,314
Historic Preservation Fund Grants-In-Aid	15.904	32-08-21733	179,262	-
			663,757	**207,894**
Rivers, Trails and Conservation Assistance	15.921	H8360060017	34,414	-
Rivers, Trails and Conservation Assistance	15.921	H8360060018	43,507	-
			77,921	-
Total Department of the Interior			**13,245,853**	**450,502**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	2008-89	$ 14,370	$ -
Juvenile Accountability Incentive Block Grants	16.523	04-JB-BX-0065	4,322	-
Juvenile Accountability Incentive Block Grants	16.523	05-JB-FX-0043	26,087	-
Juvenile Accountability Incentive Block Grants	16.523	06-JB-FX-0048	108,397	80,910
Juvenile Accountability Incentive Block Grants	16.523	07-JB-FX-0036	414,641	315,352
			553,447	**396,262**
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2005-JF-FX-0026	13,792	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2006-JF-FX-0043	348,959	-
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	2007-JF-FX-0061	457,488	382,884
			820,239	**382,884**
Title V_Delinquency Prevention Program	16.548	2005-JP-FX-0035	41,926	36,926
Title V_Delinquency Prevention Program	16.548	2006-JP-FX-0026	33,809	31,116
			75,735	**68,042**
National Criminal History Improvement Program (NCHIP)	16.554	2006-RU-BX-K003	49,764	-
Crime Victim Assistance	16.575	05-VG-AX-0035	149,251	80,616
Crime Victim Assistance	16.575	06-VG-AX-0030	2,804,908	2,464,921
Crime Victim Assistance	16.575	07-VG-AX-0032	1,067,613	885,614
			4,021,772	**3,431,151**
Crime Victim Compensation	16.576	2008-VC-GX-0054	2,124,677	-
Edward Byrne Memorial Formula Grant Program	16.579	2004-DB-BX-0049	141,108	31,016
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2004-PM-BX-0015	1,210	1,210
Drug Court Discretionary Grant Program	16.585	2002-DC-BX-0008	90,649	-
Violence Against Women Formula Grants	16.588	2004-WF-AX-0037	3,944	3,944
Violence Against Women Formula Grants	16.588	2005-WF-AX-0023	191,268	191,268
Violence Against Women Formula Grants	16.588	2006-WF-AX-0016	735,658	645,365
Violence Against Women Formula Grants	16.588	2007-WF-AX-0016	189,448	177,228
			1,120,318	**1,017,805**
Grants to Encourage Arrest Policies	16.590	2004-WE-AX-0023	201,999	28,820
Residential Substance Abuse Treatment for State Prisoners	16.593	2006-RT-BX-0016	32,394	-
Residential Substance Abuse Treatment for State Prisoners	16.593	2007-RT-BX-0015	174,324	-
			206,718	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
State Criminal Alien Assistance Program	16.606	2008-AP-BX-0319	$ 2,775,080	$ -
Bulletproof Vest Partnership Grant	16.607	06-BVP-002	2,563	-
Community Prosecution and Project Safe Neighborhoods	16.609	2003-GP-CX-0189	54,277	54,277
Community Prosecution and Project Safe Neighborhoods	16.609	2006-GP-CX-0013	18,595	-
Community Prosecution and Project Safe Neighborhoods	16.609	2007-GP-CX-0027	80,538	80,538
			153,410	**134,815**
Enforcing Underage Drinking Laws Program	16.727	2004-AH-FX-0052	39,729	10,249
Enforcing Underage Drinking Laws Program	16.727	2006-AH-FX-0031	248,213	-
			287,942	**10,249**
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0018	213,018	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0028	44,169	44,169
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-RU-BX-K003	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0068	2,271,807	1,959,074
			2,528,994	**2,003,243**
Anti-Gang Initiative	16.744	2006-PG-BX-0007	143,957	120,460
Anti-Gang Initiative	16.744	2007-PG-BX-0054	181,808	181,194
			325,765	**301,654**
Total Department of Justice			**15,495,760**	**7,807,151**
Department of Labor				
Employment Services CLUSTER				
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-15709-06-55	1,489,199	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-16237-07-55-A-32	3,994,482	-
Employment Service/Wagner-Peyser Funded Activities	17.207	ES-16237YT0	330,330	-
Employment Service/Wagner-Peyser Funded Activities	17.207	X-5027-5-00-80-60	113,561	-
			5,927,572	**-**
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-7-5087	135,770	-
Disabled Veterans' Outreach Program (DVOP)	17.801	E-9-5-8-5087	450,329	-
			586,099	**-**
Local Veterans' Employment Representative Program	17.804	E-9-5-7-5087	188,994	-
Local Veterans' Employment Representative Program	17.804	E-9-5-8-5087	312,593	-
			501,587	**-**
Total Employment Services CLUSTER			**7,015,258**	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
WIA CLUSTER				
WIA Adult Program	17.258	AA-14688-05-55	$ 67,213	$ -
WIA Adult Program	17.258	AA-15492-06-55	803,038	601,083
WIA Adult Program	17.258	AA-16047-07-55-A-32	3,081,468	2,854,872
WIA Adult Program	17.258	AA-17140-08-55-A-32	4,117	1,735
WIA Adult Program	17.258	AG60008	11,542	-
			3,967,378	**3,457,690**
WIA Youth Activities	17.259	AA-14688-05-55	63,537	-
WIA Youth Activities	17.259	AA-15492-06-55	1,174,959	935,209
WIA Youth Activities	17.259	AA-16047-07-55-A-32	2,386,461	2,159,908
WIA Youth Activities	17.259	AA-17140-08-55-A-32	2,376	-
			3,627,333	**3,095,117**
WIA Dislocated Workers	17.260	AA-14688-05-55	86,852	-
WIA Dislocated Workers	17.260	AA-15492-06-55	401,696	132,777
WIA Dislocated Workers	17.260	AA-16047-07-55-A-32	3,256,837	2,318,891
WIA Dislocated Workers	17.260	AA-17140-08-55-A-32	3,052	-
			3,748,437	**2,451,668**
Total WIA CLUSTER			**11,343,148**	**9,004,475**
Labor Force Statistics	17.002	W9J58032/06	4,958	-
Labor Force Statistics	17.002	W9J78032	180,424	-
Labor Force Statistics	17.002	W9J88032	648,044	-
			833,426	**-**
Compensation and Working Conditions	17.005	W9J8-81328	42,963	-
Labor Certification for Alien Workers	17.203	ES-15709-06-55	36,446	-
Unemployment Insurance	17.225	U. I. Trust Fund	438,972,097	-
Unemployment Insurance	17.225	UI-14447-05-55	52,685	-
Unemployment Insurance	17.225	UI-15133-06-55	198,595	-
Unemployment Insurance	17.225	UI-15817-07-55	11,861,205	-
Unemployment Insurance	17.225	UI-16765-08-55-A-32	15,701,069	-
			466,785,651	**-**
Senior Community Service Employment Program	17.235	AD-16146-07-60-A-32	510,814	509,059
Trade Adjustment Assistance	17.245	TA-15315-06-55	181,972	-
Trade Adjustment Assistance	17.245	UI-15817-07-55	13,042	-
			195,014	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Incentive Grants - WIA Section 503	17.267	AA-14922-05-55	$ 14,424	$ -
Incentive Grants - WIA Section 503	17.267	PI-15669-06-55	173,700	-
			188,124	**-**
Reintegration of Ex-Offenders	17.270	PE-17068-08-60-A-32	42,356	-
Occupational Safety and Health_State Program	17.503	SP16713SP8	1,112,600	-
Consultation Agreements	17.504	CS16677CS8	577,000	-
Consultation Agreements	17.504	E9F8-3793	1,438	-
Consultation Agreements	17.504	W9F7-37933	5,487	-
			583,925	**-**
Mine Health and Safety Grants	17.600	MS-16070-07-55-R32	227,075	-
Mine Health and Safety Grants	17.600	MS16070M70	140,050	-
Mine Health and Safety Grants	17.600	W9J7-8132	24,399	-
			391,524	**-**
Transition Assistance Program	17.807	E-9-5-7-5087	6,397	-
Transition Assistance Program	17.807	E-9-5-8-5087	28,791	-
			35,188	**-**
Total Department of Labor			**489,116,437**	**9,513,534**
Department of Transportation				
Federal Transit CLUSTER				
Federal Transit_Formula Grants	20.507	NV-90-X049-00	184,348	184,348
Federal Transit_Formula Grants	20.507	NV-90-X050-00	76,357	76,357
Federal Transit_Formula Grants	20.507	NV-90-X052	508,468	508,468
			769,173	**769,173**
Total Federal Transit CLUSTER			**769,173**	**769,173**
Highway Planning and Construction CLUSTER				
Highway Planning and Construction	20.205	SFY 08	228,890,648	12,759,312
Total Highway Planning and Construction CLUSTER			**228,890,648**	**12,759,312**
Transit Services Programs CLUSTER				
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-03-0035	482,261	482,261
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-04-0006	437,242	437,242
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0032	158,969	158,969
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	NV-16-0033	774,604	774,604
			1,853,076	**1,853,076**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Job Access_Reverse Commute	20.516	NV-37-X006-00	$ 408,380	$ 408,380
Job Access_Reverse Commute	20.516	NV-37-X007	107,999	107,999
Job Access_Reverse Commute	20.516	NV-37-X008	5,184	5,184
			521,563	**521,563**
New Freedom Program	20.521	NV-57-X001-00	34,404	34,404
Total Transit Services Programs CLUSTER			**2,409,043**	**2,409,043**
Highway Safety CLUSTER				
State and Community Highway Safety	20.600	US DOT (NHTSA) FFY07	1,709,143	-
State and Community Highway Safety	20.600	US DOT FFY05	21,422	-
State and Community Highway Safety	20.600	US DOT FFY07	942,602	793,509
State and Community Highway Safety	20.600	US DOT FFY08	1,197,175	1,150,461
			3,870,342	**1,943,970**
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	US DOT FFY05	13,881	13,881
Total Highway Safety CLUSTER			**3,884,223**	**1,957,851**
Airport Improvement Program	20.106	3-32-000-004-05	60,327	-
Airport Improvement Program	20.106	3-32-000-005-06	113,412	-
Airport Improvement Program	20.106	NDOT/Airport Improvement Program	9,300	-
			183,039	**-**
National Motor Carrier Safety	20.218	MC-07-32-1	1,057,228	-
National Motor Carrier Safety	20.218	MC-08-32-1	66,755	-
National Motor Carrier Safety	20.218	MN-07-32-1	102,262	-
National Motor Carrier Safety	20.218	MN-08-32-1	39,034	-
			1,265,279	**-**
Recreational Trails Program	20.219	NRT-0001 (001)-2004	158,589	158,589
Recreational Trails Program	20.219	NRT-0001 (001)-2005	170,279	141,376
Recreational Trails Program	20.219	NRT-0001 (001)-2006	389,678	273,027
Recreational Trails Program	20.219	NRT-0005 (001)-2003	77,005	77,005
Recreational Trails Program	20.219	NRT-007	189,469	106,943
			985,020	**756,940**
Fuel Tax Evasion_Intergovernmental Enforcement Effort	20.240	TCP1-003	4,734	-
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X024	1,343,002	1,328,140
Formula Grants for Other Than Urbanized Areas	20.509	NV-18-X025	352,596	352,596
			1,695,598	**1,680,736**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Pipeline Safety	20.700	DOT-GB-70026	$ 5,670	$ -
Pipeline Safety	20.700	DOT-GB-80026	26,374	-
Pipeline Safety	20.700	DOT-PH-PLG-07-001	286,859	-
Pipeline Safety	20.700	PHMSA-PHP-ONECALL-07	35,400	-
			354,303	**-**
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV6008140	57,672	57,162
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMENV7008150	67,340	-
			125,012	**57,162**
Total Department of Transportation			**240,566,072**	**20,390,217**
Equal Employment Opportunity Commission				
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	30.002	6FPSLP0006	467,056	-
Total Equal Employment Opportunity Commission			**467,056**	**-**
General Services Administration				
Donation of Federal Surplus Personal Property	39.003	SFY 08	45,172	-
Election Reform Payments	39.011	SFY04	154,884	-
Total General Services Administration			**200,056**	**-**
National Foundation on the Arts and the Humanities				
Promotion of the Arts_Grants to Organizations and Individuals	45.024	05-5500-7122	10,075	10,075
Promotion of the Arts_Partnership Agreements	45.025	07-6100-2015	566,900	566,900
Promotion of the Humanities_Federal/State Partnership	45.129	2008-49	900	-
Grants to States	45.310	LS-00-05-0029-06	511,777	72,268
Grants to States	45.310	LS-00-05-0029-08	16,236	5,000
Grants to States	45.310	LS-00-07-0029-07	958,128	620,289
			1,486,141	**697,557**
Laura Bush 21st Century Librarian Program	45.313	RE-01-06-0023-06	288,327	209,699
Total National Foundation on the Arts and the Humanities			**2,352,343**	**1,484,231**
Department of Veterans Affairs				
State Cemetery Grants	64.203	01-C07 NV02-09	2,483	-
Total Department of Veterans Affairs			**2,483**	**-**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Environmental Protection Agency				
State Indoor Radon Grants	66.032	K1-96963508-0	$ 198,549	$ 171,243
Water Pollution Control_State and Interstate Program Support	66.419	I-97933606	705,259	-
State Public Water System Supervision	66.432	F-00910508-2	790,300	-
State Underground Water Source Protection	66.433	G-00945607	85,500	-
Water Quality Management Planning	66.454	C6-98950106	153,652	-
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-320001-01	1,231,288	934,107
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-32000107	2,210,790	2,210,790
			3,442,078	**3,144,897**
Nonpoint Source Implementation Grants	66.460	C9-97908102	138,720	-
Nonpoint Source Implementation Grants	66.460	C9-97908104	173,628	-
Nonpoint Source Implementation Grants	66.460	C9-97908105	153,593	-
Nonpoint Source Implementation Grants	66.460	C9-97908106	313,969	-
Nonpoint Source Implementation Grants	66.460	C9-97908107	905,838	-
Nonpoint Source Implementation Grants	66.460	C9-97908108	22,540	-
			1,708,288	-
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	T-96954301	43,517	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996005	3,054,801	2,434,996
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996006	7,180,100	6,213,769
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99996007	1,339,155	1,223,245
			11,574,056	**9,872,010**
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT-96900301	102,747	-
Water Protection Grants to the States	66.474	WP-97941201	106,207	-
Performance Partnership Grants	66.605	BG-97958806-5	1,831,372	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83195801	13,478	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83260801	7,000	-
Environmental Information Exchange Network Grant Program and Related Assistance	66.608	OS-83303601	117,495	-
			137,973	-

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915407	$ 105,230	$ -
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00915408	200,301	-
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	E-00959507-0	7,585	-
			313,116	-
Superfund State, Political Subdivision, and Indian Tribe Site_Specific Cooperative Agreements	66.802	V96973601-1	167,675	-
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-00904601	640,000	-
Leaking Underground Storage Tank Trust Fund Program	66.805	LS-96952301	99,111	-
			739,111	-
State and Tribal Response Program Grants	66.817	RP-00934601	569,167	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96941701	712,244	712,244
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-96953101	62,767	-
			775,011	**712,244**
Environmental Policy and State Innovation Grants	66.940	EI-96901101	71,166	-
Total Environmental Protection Agency			**23,514,744**	**13,900,394**
Department of Energy				
State Energy Program	81.041	DE-FG26-05R021610	301,753	-
Weatherization Assistance for Low-Income Persons	81.042	DE-FG26-06R021683	804,834	683,703
Nuclear Waste Disposal Siting	81.065	YUCCA MTN FFY2006 APPROPRIATION ACT	4,021,917	-
Office of Environmental Waste Processing	81.104	DE-FG08-99NV13568	516,315	-
Office of Environmental Waste Processing	81.104	DE-FG32-99NV13568	10,000	-
Office of Environmental Waste Processing	81.104	DE-FG52-99NV13567	510,000	-
			1,036,315	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	41817.520.0103	10,000	-
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	DE-FC51-02R028804	11,000	-
			21,000	-
State Energy Program Special Projects	81.119	DE-FG36-04R021579	22,009	22,009
State Energy Program Special Projects	81.119	DE-FG36-08GO48016	751	-
			22,760	**22,009**
Miscellaneous Federal Activities Actions	81.502	DE-FG52-00NV13804	284,606	284,606
Miscellaneous Federal Activities Actions	81.502	DE-FG52-99NV13569	134,203	-
			418,809	**284,606**
Total Department of Energy			**6,627,388**	**990,318**

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Department of Education				
Special Education CLUSTER				
Special Education_Grants to States	84.027	H027A060043A	$ 13,869,321	$ 13,501,177
Special Education_Grants to States	84.027	H027A070043	49,853,709	49,269,778
			63,723,030	**62,770,955**
Special Education_Preschool Grants	84.173	H173A060046	208,229	208,229
Special Education_Preschool Grants	84.173	H173A070046	1,880,970	-
			2,089,199	**208,229**
Total Special Education CLUSTER			**65,812,229**	**62,979,184**
Adult Education_State Grant Program	84.002	V002A050028	9,465	-
Adult Education_State Grant Program	84.002	V002A060028	557,329	433,343
Adult Education_State Grant Program	84.002	V002A070028	3,950,996	3,888,878
			4,517,790	**4,322,221**
Title I Grants to Local Educational Agencies	84.010	S010A050028	872,827	833,505
Title I Grants to Local Educational Agencies	84.010	S010A060028	25,161,768	24,554,963
Title I Grants to Local Educational Agencies	84.010	S010A070028	60,932,536	60,932,536
			86,967,131	**86,321,004**
Migrant Education_State Grant Program	84.011	S011A050028	20,906	-
Migrant Education_State Grant Program	84.011	S011A060028	231,668	210,043
Migrant Education_State Grant Program	84.011	S011A070028	2,480	-
			255,054	**210,043**
Title I Program for Neglected and Delinquent Children	84.013	S013A060028	236,874	68,242
Title I Program for Neglected and Delinquent Children	84.013	S013A070028	96,221	96,221
			333,095	**164,463**
Career and Technical Education_Basic Grants to States	84.048	V048A060028	1,109,054	561,105
Career and Technical Education_Basic Grants to States	84.048	V048A070028	7,354,141	7,085,701
			8,463,195	**7,646,806**
Leveraging Educational Assistance Partnership	84.069	N069A070027	83,102	83,102
Leveraging Educational Assistance Partnership	84.069	N069B070022	68,146	68,146
			151,248	**151,248**
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A070041	8,564,030	-
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	H126A080041	5,065,115	-
			13,629,145	**-**

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Migrant Education_Coordination Program	84.144	S144F050028	$ 14,271	$ 2,597
Migrant Education_Coordination Program	84.144	S144F060028	118,931	109,602
			133,202	**112,199**
Rehabilitation Services_Client Assistance Program	84.161	H161A070029	56,258	-
Rehabilitation Services_Client Assistance Program	84.161	H161A080029	59,293	-
			115,551	**-**
Independent Living_State Grants	84.169	H169A070013	154,323	-
Independent Living_State Grants	84.169	H169A080013	89,075	-
			243,398	**-**
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B070028	79,555	-
Rehabilitation Services_Independent Living Services for Older Individuals Who are Blind	84.177	H177B080028	182,434	-
			261,989	**-**
Special Education_Grants for Infants and Families with Disabilities	84.181	H181A060019	878,815	-
Special Education_Grants for Infants and Families with Disabilities	84.181	H18A070019-01	3,374,619	343,037
			4,253,434	**343,037**
Byrd Honors Scholarships	84.185	P185A060030	116,327	-
Byrd Honors Scholarships	84.185	P185A070030	207,674	-
			324,001	**-**
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A060029	484,481	476,232
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186A070029	740,794	701,946
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B070030	116,603	116,603
Safe and Drug-Free Schools and Communities_State Grants	84.186	Q186B080030	332,360	332,360
			1,674,238	**1,627,141**
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A060042A	61,519	-
Supported Employment Services for Individuals with Severe Disabilities	84.187	H187A070042B	188,720	-
			250,239	**-**
Education for Homeless Children and Youth	84.196	S196A050029	32,925	-
Education for Homeless Children and Youth	84.196	S196A060029	137,325	85,186
Education for Homeless Children and Youth	84.196	S196A070029	192,336	192,336
			362,586	**277,522**
Even Start_State Educational Agencies	84.213	S213A050029	206,338	200,763
Even Start_State Educational Agencies	84.213	S213A060029	550,260	538,326
Even Start_State Educational Agencies	84.213	S213A070029	60,904	52,082
			817,502	**791,171**

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FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Fund for the Improvement of Education	84.215	R215V020031	$ 143,240	$ 122,452
Assistive Technology	84.224	H224A060028A	9,376	4,997
Assistive Technology	84.224	H224A070028B	347,943	253,205
Assistive Technology	84.224	H224A080028A	73,970	59,280
			431,289	**317,482**
Tech-Prep Education	84.243	V243A050028	492	-
Tech-Prep Education	84.243	V243A060028	80,850	53,230
Tech-Prep Education	84.243	V243A070028	667,287	633,923
			748,629	**687,153**
Rehabiliation Training_State Vocational Rehabiliation Unit In-Service	84.265	H265A050017	18,763	-
Charter Schools	84.282	U282A050003	3,356,389	3,242,470
Twenty-First Century Community Learning Centers	84.287	S287A060028	3,007,205	2,824,562
Twenty-First Century Community Learning Centers	84.287	S287C050028	8,191	-
Twenty-First Century Community Learning Centers	84.287	S287C070028	2,866,538	2,866,538
			5,881,934	**5,691,100**
Innovative Education Program Strategies	84.298	S298A050028	105,599	61,761
Innovative Education Program Strategies	84.298	S298A060028	513,513	406,053
Innovative Education Program Strategies	84.298	S298A070028	160,548	160,548
			779,660	**628,362**
Education Technology State Grants	84.318	S318X050028	172,115	164,993
Education Technology State Grants	84.318	S318X060028	1,325,010	164,993
Education Technology State Grants	84.318	S318X070028	270,161	164,993
			1,767,286	**494,979**
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A020006	388,184	208,591
Special Education_State Program Improvement Grants for Children with Disabilities	84.323	H323A070024	60,561	-
			448,745	**208,591**
Advanced Placement Program	84.330	S330B070002	48,395	48,395
Advanced Placement Program	84.330	U330B030005	6,716	6,716
Advanced Placement Program	84.330	U330C040121	18,177	14,490
			73,288	**69,601**
Grants to States for Incarcerated Youth Offenders	84.331	Q331A050029	73,180	-
Grants to States for Incarcerated Youth Offenders	84.331	Q331A060029	122,286	-
			195,466	**-**

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Comprehensive School Reform Demonstration	84.332	S332A050029	$ 238,848	$ 238,848
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	P334S060002	1,479,976	1,174,317
Reading First State Grants	84.357	S357A050029	92,058	-
Reading First State Grants	84.357	S357A060029	3,663,430	3,258,980
Reading First State Grants	84.357	S357A070029	3,330,058	3,015,851
			7,085,546	**6,274,831**
English Language Acquisition Grants	84.365	T365A050028	41,161	-
English Language Acquisition Grants	84.365	T365A060028	1,183,704	1,033,554
English Language Acquisition Grants	84.365	T365A070028	5,072,219	5,072,219
			6,297,084	**6,105,773**
Mathematics and Science Partnerships	84.366	S366A050029	260,724	255,993
Mathematics and Science Partnerships	84.366	S366A060029	818,344	766,364
Mathematics and Science Partnerships	84.366	S366B070029	441,696	-
			1,520,764	**1,022,357**
Improving Teacher Quality State Grants	84.367	S367A050027	70,256	54,041
Improving Teacher Quality State Grants	84.367	S367A060027A	2,780,889	2,634,483
Improving Teacher Quality State Grants	84.367	S367A070027	11,567,743	11,218,624
			14,418,888	**13,907,148**
Grants for State Assessments and Related Activities	84.369	S369A060029	4,209,838	703,797
Grants for State Assessments and Related Activities	84.369	S369A070029	218,088	-
			4,427,926	**703,797**
Special Education_Technical Assistance on State Data Collection	84.373	H373X060015	14,989	11,540
School Improvement Grants	84.377	S377A070029	165,538	128,620
Total Department of Education			**238,059,275**	**205,975,460**
National Archives and Records Administration				
National Historical Publications and Records Grants	89.003	NAR06GRANT-087	635	-
National Historical Publications and Records Grants	89.003	NAR08-RS-10041-08	6,198	-
			6,833	**-**
Total National Archives and Records Administration			**6,833**	**-**
Election Assistance Commission				
Help America Vote Act Requirements Payments	90.401	HAVA-FY05	1,675,539	-
Total Election Assistance Commission			**1,675,539**	**-**

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Department of Health and Human Services				
Aging CLUSTER				
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	06-AA-NV-T3SP	$ 3,201	$ 3,201
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	07-AA-NV-T3SP	2,490,951	2,451,509
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	08-AA-NV-T3SP	250,409	115,048
			2,744,561	**2,569,758**
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	06-AA-NV-T3SP	72,059	72,059
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	06-AA-NV-T3SP (C-2)	204,308	204,308
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	07-AA-NV-T3SP	1,340,061	1,069,058
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	08-AA-NV-T3SP	1,084,751	595,684
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	08-AA-NV-T3SP (C-2)	1,075,780	1,075,780
			3,776,959	**3,016,889**
Nutrition Services Incentive Program	93.053	07AANVNSIP	545,681	545,681
Nutrition Services Incentive Program	93.053	08AANVNSIP	444,025	444,025
Nutrition Services Incentive Program	93.053	SFY 01	58,932	-
			1,048,638	**989,706**
Total Aging CLUSTER			**7,570,158**	**6,576,353**
Child Care CLUSTER				
Child Care and Development Block Grant	93.575	G0701NVCCDF	4,783,134	-
Child Care and Development Block Grant	93.575	G0801NVCCDF	11,421,895	-
			16,205,029	**-**
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0701NVCCDF	14,295,601	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G0801NVCCDF	6,823,081	-
			21,118,682	**-**
Total Child Care CLUSTER			**37,323,711**	**-**
Medicaid CLUSTER				
State Medicaid Fraud Control Units	93.775	01-0701-NV-5050	194,256	-
State Medicaid Fraud Control Units	93.775	01-0801-NV-5050	1,049,991	-
			1,244,247	**-**
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0705-NV-5000	400,792	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0705-NV-5001	212,628	-

STATE OF NEVADA
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FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0705-NV-5002	$ 41,410	$ -
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0805-NV-5000	1,362,087	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0805-NV-5001	505,256	-
State Survey and Certification of Health Care Providers and Suppliers	93.777	05-0805-NV-5002	98,100	-
			2,620,273	**-**
Medical Assistance Program	93.778	05-0705NV5028 (MAP)	173,131,905	-
Medical Assistance Program	93.778	05-0705NV5048 (ADM)	8,632,852	-
Medical Assistance Program	93.778	05-0805NV5028 (MAP)	507,797,151	-
Medical Assistance Program	93.778	05-0805NV5048 (ADM)	34,510,570	-
			724,072,478	**-**
Total Medicaid CLUSTER			**727,936,998**	**-**
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	07-AA-NV-T7SP	10,938	1,813
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	08-AA-NV-T7SP	27,937	3,187
			38,875	**5,000**
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	06-AA-NV-T7SP	3,890	3,890
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	07-AA-NV-T7SP	42,927	15,851
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	08-AA-NV-T7SP	83,624	4,149
			130,441	**23,890**
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	06-AA-NV-T3SP	10,717	10,717
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	07-AA-NV-T3SP	154,311	154,311
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	08-AA-NV-T3SP	7,554	7,554
			172,582	**172,582**
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90 AM 3056	170,188	-
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90AM3004/01	108,796	74,114
Special Programs for the Aging_Title IV_and Title II_Discretionary Projects	93.048	90AM3164/02	76,500	76,500
			355,484	**150,614**

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Alzheimer's Disease Demonstration Grants to States	93.051	90AZ2784/03	$ 799	$ 799
Alzheimer's Disease Demonstration Grants to States	93.051	90AZ2784/04	300,000	298,492
			300,799	**299,291**
National Family Caregiver Support	93.052	05-AA-NV-T3SP	19,463	19,463
National Family Caregiver Support	93.052	06-AA-NV-T3SP	56,099	56,099
National Family Caregiver Support	93.052	07-AA-NV-T3SP	886,738	752,841
National Family Caregiver Support	93.052	08-AA-NV-T3SP	83,837	83,837
			1,046,137	**912,240**
Public Health Emergency Preparedness	93.069	5 U90/TP916964-08	7,230,184	5,684,115
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	90CU0012/01	343,722	311,715
Maternal and Child Health Federal Consolidated Programs	93.110	5 H18MC00032-15	50,573	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H25MC00229-04	36,185	-
Maternal and Child Health Federal Consolidated Programs	93.110	5 H25MC00229-05	126,145	-
Maternal and Child Health Federal Consolidated Programs	93.110	6 H18MC00032-14-02	29,901	-
Maternal and Child Health Federal Consolidated Programs	93.110	6 H47MC02012-04-01	49,591	-
			292,395	**-**
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU907855-16	223,884	135,404
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52/CCU907855-17	181,348	122,016
			405,232	**257,420**
Emergency Medical Services for Children	93.127	5 H33MC06694-03-00	15,245	-
Emergency Medical Services for Children	93.127	6 H33MC06694-02-01	100,165	45,528
			115,410	**45,528**
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060029-06	208,997	206,995
Projects for Assistance in Transition from Homelessness (PATH)	93.150	SMX060029-07	200,537	195,946
			409,534	**402,941**
Family Planning_Services	93.217	6 FPHPA091175-32-02	701,776	159,720
Traumatic Brain Injury State Demonstration Grant Program	93.234	6 H21MC06753-02-02	69,199	55,578
Abstinence Education Program	93.235	G-0601NVAEGP	130,939	85,262
Abstinence Education Program	93.235	G-0701NVAEGP	53,938	-
Abstinence Education Program	93.235	G-0801NVAEGP	9,243	-
			194,120	**85,262**

STATE OF NEVADA
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Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1 HR1 SM058080-01	$ 81,356	$ -
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	4 U79 SP09960-03-3	219,966	103,384
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 HS5 SM56551-03	271,742	191,684
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 HS5 SM56551-04	599,824	215,358
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5 U79 SP011179-04	1,700,127	1,394,663
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	6 HR1 SM56616-03-2	63,774	-
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	6 U79 SP11179-03-1	448,783	312,829
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	U9SM57416A	427,581	301,510
			3,813,153	**2,519,428**
Universal Newborn Hearing Screening	93.251	2 H61MC00096-05	13,079	4,000
Universal Newborn Hearing Screening	93.251	6 H61MC00096-06	101,991	-
			115,070	**4,000**
Immunization Grants	93.268	2 H23/IP922549-06	1,182,821	686,241
Immunization Grants	93.268	Direct Assistance	29,399,599	-
Immunization Grants	93.268	H23/CCH922549-05	1,658,908	1,048,597
			32,241,328	**1,734,838**
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 U50/CI000489-02	97,280	71,947
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5 U58/DP922830-05W1	1,827,949	943,372
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U50 CI000489-01	597,715	422,676
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U55/CCU922006-05	277,223	38,776
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U58/CCU922830-04	23,525	23,525
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U58/DP000804-01	3,001,668	133,248
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U90/CCU916964-06	519,999	-
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	U90/CCU916964-07	4,439,761	3,554,986
			10,785,120	**5,188,530**

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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-0601NV00FP	$ 681,617	$ 648,604
Promoting Safe and Stable Families	93.556	G-0611NVFPSS	66,081	47,189
Promoting Safe and Stable Families	93.556	G-0701NV00FP	1,021,312	1,000,613
			1,769,010	**1,696,406**
Temporary Assistance for Needy Families	93.558	G-0701NVTANF	37,778,153	-
Temporary Assistance for Needy Families	93.558	G-0801NVTANF	11,130,066	-
			48,908,219	**-**
Child Support Enforcement	93.563	G07NV4004	5,562,473	3,011,826
Child Support Enforcement	93.563	G0804NV4004	22,545,436	14,014,763
			28,107,909	**17,026,589**
Low Income Home Energy Assistance	93.568	G-06B1NVLIEA	872	-
Low Income Home Energy Assistance	93.568	G-07B1NVLIEA	2,960,644	-
Low Income Home Energy Assistance	93.568	G-08B1NVLIEA	2,980,933	-
			5,942,449	**-**
Community Services Block Grant	93.569	G-07B1NVCOSR	2,807,564	2,709,988
Community Services Block Grant	93.569	G-08B1NVCOSR	1,005,681	970,729
			3,813,245	**3,680,717**
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/02	92,580	89,080
Refugee and Entrant Assistance_Discretionary Grants	93.576	90ZE0075/03	15,275	14,106
			107,855	**103,186**
State Court Improvement Program	93.586	G-0501NVSCIP	6,434	-
State Court Improvement Program	93.586	G-0601NVSCID	40,339	-
State Court Improvement Program	93.586	G-0601NVSCIP	90,295	-
State Court Improvement Program	93.586	G-0601NVSCIT	107,745	-
			244,813	**-**
Community-Based Child Abuse Prevention Grants	93.590	G-0701NVFRPG	465,024	377,750
Grants to States for Access and Visitation Programs	93.597	G-0601NVSAVP	35,856	-
Grants to States for Access and Visitation Programs	93.597	G-0701NVSAVP	49,714	-
			85,570	**-**
Chafee Education and Training Vouchers Program (ETV)	93.599	0601NVCETV	67,253	67,253
Chafee Education and Training Vouchers Program (ETV)	93.599	0701NVCETV	379,475	379,475
			446,728	**446,728**
Head Start	93.600	09CD0001/06	81,389	35,300
Head Start	93.600	G-09CD0001/10	56,270	-
			137,659	**35,300**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Adoption Incentive Payments	93.603	0601NVAI99	$ 584,147	$ 529,816
Adoption Incentive Payments	93.603	0701NVAI99	58,281	54,400
			642,428	**584,216**
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0303NVVOTE	5,974	-
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0403NVVOTE	83,900	-
Voting Access for Individuals with Disabilities_Grants to States	93.617	G-0503NVVOTE	70,080	-
			159,954	-
Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	93.618	HAVA	159,953	-
Developmental Disabilities Basic Support and Advocacy Grants	93.630	G-0701NVADBS	410,851	148,590
Children's Justice Grants to States	93.643	G-0401NVCJA1	54,841	44,165
Children's Justice Grants to States	93.643	G-0501NVCJA1	108,145	87,909
Children's Justice Grants to States	93.643	G-0601NVCJA1	112,017	59,747
Children's Justice Grants to States	93.643	G-0701NVCJA1	51,611	51,611
			326,614	**243,432**
Child Welfare Services_State Grants	93.645	G-0701-NV-1400	668,155	62,008
Child Welfare Services_State Grants	93.645	G-0801-NV-1400	1,746,563	186,014
			2,414,718	**248,022**
Foster Care_Title IV-E	93.658	0701NV1401	8,068,464	5,723,827
Foster Care_Title IV-E	93.658	0801NV1401	12,219,136	9,306,014
			20,287,600	**15,029,841**
Adoption Assistance	93.659	0701NV1407	1,290,538	1,001,088
Adoption Assistance	93.659	0801NV1407	8,550,894	8,449,186
			9,841,432	**9,450,274**
Social Services Block Grant	93.667	G-0701NVSOSR	5,347,848	5,292,229
Social Services Block Grant	93.667	G-0702NVTANF	1,924,690	-
Social Services Block Grant	93.667	G-0801NVSOSR	9,702,065	9,603,186
			16,974,603	**14,895,415**
Child Abuse and Neglect State Grants	93.669	G-0401NVCA01	166,658	99,472
Child Abuse and Neglect State Grants	93.669	G-0501NVCA01	117,849	93,602
			284,507	**193,074**
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0601NVFVPS	195,473	190,445
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671	G-0701NVFVPS	849,251	821,398
			1,044,724	**1,011,843**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Chafee Foster Care Independence Program	93.674	G-0601NV1420	$ 440,721	$ -
Chafee Foster Care Independence Program	93.674	G-0701NV1420	710,092	558,338
			1,150,813	**558,338**
State Children's Insurance Program	93.767	05-0505NV5021	3,366,853	-
State Children's Insurance Program	93.767	05-0605NV5021	24,773,171	-
			28,140,024	**-**
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	92412	615,219	-
Medicaid Transformation Grants	93.793	1U0CMS030225/01	29,207	-
National Bioterrorism Hospital Preparedness Program	93.889	4 U3RHS05935-01-01	78,831	-
National Bioterrorism Hospital Preparedness Program	93.889	6 U3REP070018-01	1,690,763	849,884
National Bioterrorism Hospital Preparedness Program	93.889	6 U3RHS07557-01	2,494,455	1,357,111
			4,264,049	**2,206,995**
HIV Care Formula Grants	93.917	6 X07HA00001-17-03	7,200,463	6,682,123
HIV Care Formula Grants	93.917	6 X07HA00001-18	2,047,376	1,893,767
			9,247,839	**8,575,890**
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/CCU922631-05	201,536	89,794
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	U87/DP001227-01	43,055	-
			244,591	**89,794**
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-04	1,603,370	1,225,229
HIV Prevention Activities_Health Department Based	93.940	U62/CCU923483-05	1,060,604	757,712
			2,663,974	**1,982,941**
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/CCU923570-03-4	497,802	388,413
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	U62/PS001038-01	183,655	98,640
			681,457	**487,053**
Block Grants for Community Mental Health Services	93.958	06 B1 NV CMHS	66,819	-
Block Grants for Community Mental Health Services	93.958	2B09SM010039-07	3,435,349	416,478
			3,502,168	**416,478**
Block Grants for Prevention and Treatment of Substance Abuse	93.959	06B1NVSAPT-01	6,661	6,661
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B1NVSAPT-07-3	6,617,160	5,462,759
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B1NVSAPT-08	7,296,709	7,083,390
			13,920,530	**12,552,810**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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/CCH904368-16	$ 336,002	$ 301,342
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	H25/CCH904368-17	249,276	214,303
			585,278	**515,645**
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	U32/CCU922683-05	296,451	98,133
Preventive Health and Health Services Block Grant	93.991	2006-B1-NV-PRVS-01	111,165	-
Preventive Health and Health Services Block Grant	93.991	2007-B1-NV-PRVS-01	80,148	-
			191,313	**-**
Maternal and Child Health Services Block Grant to the States	93.994	07B1NVMCHS	1,062,514	27,146
Maternal and Child Health Services Block Grant to the States	93.994	08B1NVMCHS	745,794	-
			1,808,308	**27,146**
Total Department of Health and Human Services			**1,041,508,514**	**117,271,651**
Corporation for National & Community Service				
Learn and Serve America_School and Community Based Programs	94.004	06LSPNV001-2	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	04-0704NVD100	2,842,921	-
Social Security_Disability Insurance	96.001	04-0804NVD100	8,866,483	-
			11,709,404	**-**
Total Disability Insurance/SSI CLUSTER			**11,709,404**	**-**
Total Social Security Administration			**11,709,404**	**-**
Department of Homeland Security				
Homeland Security CLUSTER				
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0052	329,024	221,605
Homeland Security Grant Program	97.067	2005-GE-T5-0039	849,393	591,564
Homeland Security Grant Program	97.067	2006-GE-T6-0029	6,544,998	5,608,642
Homeland Security Grant Program	97.067	2007-GE-T7-0010	658,694	472,765
Homeland Security Grant Program	97.067	97067HE7	1,325	-
			8,054,410	**6,672,971**
Total Homeland Security CLUSTER			**8,383,434**	**6,894,576**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Boating Safety Financial Assistance	97.012	18.01.32	$ 853,080	$ -
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2005-PC-0003	29,147	29,147
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2006-PC-0006	5,200	5,200
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2007-PC-0003	14,393	13,703
			48,740	**48,050**
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2007-GR-0704	13,094	-
Community Assistance Program_State Support Services Element (CAP-SSSE)	97.023	EMF-2008-GR-0804	21,150	-
			34,244	**-**
Flood Mitigation Assistance	97.029	EMF-2005-FM-E007	1,652	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMF-2004-MP-4006	859	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1583-DR	357,914	143,730
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1629-DR	1,858,235	1,422,755
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1738-DR	182,994	87,302
			2,400,002	**1,653,787**
Hazard Mitigation Grant	97.039	EMF-2004-MP-4006	96,967	55,078
National Dam Safety Program	97.041	EMW-2006-ND-0182	6,665	-
National Dam Safety Program	97.041	EMW-2007-GR-0760	7,078	-
			13,743	**-**
Emergency Management Performance Grants	97.042	2006-EM-E6-0009	261,367	118,098
Emergency Management Performance Grants	97.042	2007-EM-E7-0056	1,191,534	770,632
Emergency Management Performance Grants	97.042	2008-EM-E8-0044	1,434,603	983,711
			2,887,504	**1,872,441**
State Fire Training Systems Grants	97.043	EME-2007-GR-0263	10,056	-
Assistance to Firefighters Grant	97.044	EMW-2005-FG-00013	24,984	-
Fire Management Assistance Grant	97.046	Disaster # 2650	83,817	83,817
Fire Management Assistance Grant	97.046	Disaster # 2664	286,016	286,016
Fire Management Assistance Grant	97.046	Disaster # 2679	20,432	20,432
Fire Management Assistance Grant	97.046	Disaster # 2704	27,046	27,046
Fire Management Assistance Grant	97.046	Disaster # 2713	739,252	739,252
Fire Management Assistance Grant	97.046	Disaster # 2717	231,203	-
			1,387,766	**1,156,563**

STATE OF NEVADA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor / Pass-Through Grantor Program Title	CFDA Number	Award or Pass-Through Number	Expenditures	Payments to Subrecipients
Rail and Transit Security Grant Program	97.075	2005-GB-T5-0014	$ 195,991	$ -
Rail and Transit Security Grant Program	97.075	2007-RL-T7-0103	2,196	-
			198,187	**-**
Buffer Zone Protection Plan (BZPP)	97.078	2006-BZ-T6-0059	773,613	773,613
Total Department of Homeland Security			**17,113,972**	**12,454,108**
Total Federal Financial Assistance			**$ 2,423,466,164**	**$ 493,437,172**

STATE OF NEVADA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

3. 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	$438,972,097
Federal Funds	27,813,554
Total Reported	$466,785,651

5. IMMUNIZATION GRANTS PROGRAM (93.268)

The expenditures for this program include vaccines received in lieu of cash.

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 $20,236,527.

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, 2008

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, 2008

2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.

3. The audit disclosed no instances of noncompliance which were material to the financial statements of the State of Nevada.

4. Significant deficiencies, not identified as material weaknesses, in the internal control over major Federal award programs were disclosed.

5. The Auditor's report on compliance with the major Federal award programs for the State of Nevada expresses an unqualified opinion.

6. Audit findings relative to the major Federal award programs for the State of Nevada, which are required to be reported under Section .510(a) of 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 Housing and Urban Development:

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

U.S. Department of Labor:

Unemployment Insurance, CFDA 17.225

U.S Department of Transportation:

Highway Planning and Construction Cluster:
Highway Planning and Construction, CFDA 20.205

U.S. Department of Education:

Special Education Cluster:
Special Education_Grants to States, CFDA 84.027
Special Education_Preschool Grants, CFDA 84.173
Adult Education_State Grant Program, CFDA 84.002
Career and Technical Education_Basic Grants to States, CFDA 84.048
Improving Teacher Quality State Grants, CFDA 84.367

U.S. Department of Health and Human Services:

Child Care Cluster:
- Child Care and Development Block Grant, CFDA 93.575
- Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA 93.596

Medicaid Cluster:
- State Medicaid Fraud Control Units, CFDA 93.775
- State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777
- Medical Assistance Program, CFDA 93.778

Public Health Emergency Preparedness, CFDA 93.069
Immunization Grants, CFDA 93.268
Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283
Temporary Assistance For Needy Families, CFDA 93.558
Foster Care_Title IV-E, CFDA 93.658
Adoption Assistance, CFDA 93.659
National Bioterrorism Hospital Preparedness Program, CFDA 93.889
HIV Care Formula Grants, CFDA 93.917
Block Grants for Prevention and Treatment of Substance Abuse, CFDA 93.959

Social Security Administration:

Disability Insurance / SSI Cluster:
- Social Security_Disability Insurance, CFDA 96.001

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, 2008, was $7,270,398.

9. The State of Nevada qualified as a low risk auditee for the year ended June 30, 2008 under the criteria set forth in Section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statement audit.

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

See pages 109 through 140.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-1:

Public Health Emergency Preparedness, CFDA 93.069:
Immunization Grants, CFDA 93.268:
Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283:
National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.069, 93.268, 93.283, and 93.889 on the Schedule of Expenditures of Federal Awards.

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

The Nevada State Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

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 Nevada State 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 Nevada State Health Division implement procedures to ensure subrecipient audits are completed timely, audit findings related to subrecipients are identified, and appropriate action is taken within the designated timeframe.

Management's Response: See management's response on pages 114 through 121.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-2:

Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283:

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

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

During testing of the final Financial Status Report for grant award number U90/CCU916964-07-4, we determined that, although the cumulative amount included in the report could be traced to the accounting system, the supplemental reports that included information for the three separate program objectives (Base, Cities Readiness Initiative, and Pandemic Flu) could not be reconciled to the accounting system. Additionally, the final report for that grant award was required to be filed by November 30, 2007; an interim report was filed December 12, 2007, and the final report was not filed until March 24, 2008.

Questioned Costs: None.

Context: The conditions noted above appear to be systemic problems.

Effect: The Federal granting agency may have received inaccurate information of actual program expenditures and participation, and they did not receive the information timely.

Cause: The Nevada State Health Division did not have adequate procedures in place to ensure that appropriate documentation was maintained to support that the amounts included on the Financial Status Reports were supported by the underlying accounting records. Additionally, the Division did not have adequate controls in place to ensure the reports were filed timely.

Recommendation: We recommend the Nevada State Health Division enhance the reporting process to ensure all amounts required to support the reported amounts are maintained and reconcile to the underlying accounting records. The Division should enhance controls to ensure that the reports are filed timely.

Management's Response: See management's response on page 119.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-3:

Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283:

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

Criteria and Condition: The OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments,* compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

During our testing of salary and benefit charges to this program, it was noted that the Nevada State Health Division assigns percentages of time that employees are to work on multiple Federal programs, including the Centers for Disease Control and Prevention, Investigations and Technical Assistance. The employees' salaries and benefits are charged to the Federal programs according to the percentage assigned to their position. The time cards signed by employees are exception-only reports that do not identify the programs or the time allocation on them. Because the time cards do not identify the Federal programs and time allocation on them, the time cards do not meet the standards for documentation to serve as certification by the employee or supervisor. The Nevada State Health Division does not have alternate procedures for obtaining employee and supervisor certifications.

Questioned Costs: Undetermined.

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

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

Cause: Adequate procedures were not in place at the Nevada State Health Division to ensure costs charged to the Federal program were supported by required documentation and certifications.

Recommendation: We recommend that the Nevada State Health Division implement procedures to ensure amounts charged to Federal programs are supported by the required documentation and certifications.

Management's Response: See management's response on page 119.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-4:

Immunization Grants, CFDA 93.268:

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

Criteria and Condition: In accordance with the guidelines provided in the OMB Circular A-133 Compliance Supplement, a pass-through entity is responsible for monitoring subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with federal requirements. This includes the monitoring of subrecipient requests for Federal funds to ensure the request are allowable cost. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same cost standards as apply to the pass-through entity.

As part of our testing over subrecipient monitoring, we reviewed supporting documentation for payments made to subrecipients. During this testing we examined a reimbursement request which included costs for a dinner seminar presented by a subrecipient for a topic related to the program. In reviewing the documentation, it was noted the reimbursement included $1,140 for wine served with the dinner.

Questioned Costs: None.

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

Effect: Unallowed costs incurred at the subrecipient level may be reimbursed by the State.

Cause: The State does not have adequate procedures in place to ensure that payments to subrecipients are made only for allowable costs.

Recommendation: We recommend the State enhance existing procedures to ensure that payments to subrecipients are made only for allowable costs and to document that any unallowed costs identified are not reimbursed.

Management's Response: See management's response on pages 120 through 121.

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director

RICHARD WHITLEY, MS
Administrator

MARY GUINAN, MD, PhD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION
4150 Technology Way, Suite 300
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March 17, 2009

Glynnis Taylor
Centers for Disease Control and Prevention
Procurement and Grants Office
Koger Center, Colgate Building
2920 Brandywine Road, Mail Stop K 69
Atlanta, GA 30341

Dear Ms. Taylor:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2008. Included in the audit was the Public Health Emergency Preparedness, CFDA 93.069.

The following response is provided in response to the June 30, 2008 audit of our Division.

Finding 08-1:

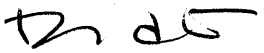
> *The Nevada State Health Division does not have adequate procedures in place to ensure that subrecipient audit reports are completed timely, management decisions are issued for subrecipient findings, and corrective actions are taken on audit findings.*

Management's Response:

> The Nevada State Health Division is in the process of writing procedures to ensure that it tracks every subrecipient subject to A-133 audit, monitors deadlines when they are to be completed, reviews audit for findings, investigates findings for compliance with policies and contacts sub grants when not received on time. The audits will be sent to Administration and copies are kept in the program/grant files. It is envisioned said procedures will be completed and in place within the next 90 days.

If additional information is required, please contact me at (775) 684-4200.

Sincerely,



Richard Whitley, MS
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael J. Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director

RICHARD WHITLEY, MS
Administrator

MARY GUINAN, MD, PhD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH DIVISION
4150 Technology Way, Suite 300
Carson City, Nevada 89706
Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 17, 2009

Roscoe Brunson
Grants Management Specialist
OPHS Grants Management Office
1101 Wootton parkway, Suite 550
Rockville, MD 20852

Dear Mr. Brunson:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2008. Included in the audit was the National Bioterrorism Hospital Preparedness Program, CFDA 93.889.

The following response is provided in response to the June 30, 2008 audit of our Division.

Finding 08-1:

> *The Nevada State 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.*

Management's Response:

> The Nevada State Health Division is in the process of writing procedures to ensure that it tracks every subrecipient subject to A-133 audit, monitors deadlines when they are to be completed, reviews audit for findings, investigate findings for compliance with policies and contact sub grants when not received on time. The audits will be sent to Administration and copies are kept in the program/grant files. It is envisioned said procedures will be completed and in place within the next 90 days.

If additional information is required, please contact me at (775) 684-4200.

Sincerely,

Richard Whitley, MS
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael J. Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division

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March 17, 2009

Glynnis Taylor
Centers for Disease Control and Prevention
Procurement and Grants Office
Koger Center, Colgate Building
2920 Brandywine Road, Mail Stop K 69
Atlanta, GA 30341

Dear Ms. Taylor

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2008. Included in the audit were the Centers for Disease Control and Prevention, Investigations and Technical Assistance, CFDA 93.283.

The following response as of March 16, 2009 is provided in response to the June 30, 2008 audit of our division.

Finding 08-1:

> *The Nevada State 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.*

Management's Response:

> The Nevada State Health Division is in the process of writing procedures to ensure that it tracks every subrecipient subject to A-133 audit, monitors deadlines when they are to be completed, reviews audit for findings, investigates findings for compliance with policies and contacts sub grants when not received on time. The audits will be sent to Administration and copies are kept in the program/grant files. It is envisioned said procedures will be completed and in place within the next 90 days.

Finding 8-02:

The Nevada State Health Division did not have adequate procedures in place to ensure that appropriate documentation was maintained to support that amounts included on the Financial Status Reports were supported by accounting records. Additionally, the Division did not have adequate controls in place to ensure the reports were filed timely.

Management's Response:

The Nevada State Health Division created a data base to track all timelines for submittals of Financial Status Reports and has adhered to those dates. In addition, during SFY09 the Division created separate job reporting numbers within our state accounting system to ensure that all separate grant awards are tracked with a unique identifier. Both of these implementations should ensure this finding is addressed.

Finding 8-03:

Adequate procedures were not in place at the Nevada State Health Division to ensure costs charged to the Federal Programs (specifically salaries and benefits) were supported by the required documentation and certifications.

Management's Response:

The Nevada State Health Division during SFY08 converted from an off-line payroll reporting system use of the on-line Nevada Employee Action Tracking System (NEATS), which resulted in certain documentation and certifications no longer being maintained. The Nevada State Health Division will work with all employees to ensure the documentation and certifications which were kept on the off-line payroll reporting system are input into the new on-line reporting system. It is envisioned that the required documentation and certifications will be completed and in place within the next 90 days.

If additional information is required, please contact me at (775) 684-4200.

Sincerely,

Richard Whitley, MS
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael J. Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division

STATE OF NEVADA

JIM GIBBONS
Governor

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Director

RICHARD WHITLEY, MS
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March 17, 2009

Mimi Larzelere, MPH
Project Officer, Program Operations Branch
Immunization Services Division/CDC
Mail Stop #52
Atlanta, GA 30329-1902

Dear Ms. Larzelere:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2008. Included in the audit was the Immunization Grants, CFDA 93.268.

The following response is provided in response to the June 30, 2008 audit of our Division.

Finding 08-1:

> *The Nevada State 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.*

Management's Response:

> The Nevada State Health Division is in the process of writing procedures to ensure that it tracks every subrecipient subject to A-133 audit, monitors deadlines when they are to be completed, reviews audit for findings, investigates findings for compliance with policies and contacts sub grants when not received on time. The audits will be sent to Administration and copies are kept in the program/grant files. It is envisioned said procedures will be completed and in place within the next 90 days.

Finding 08-4:

As part of our testing over subrecipient monitoring, we reviewed supporting documentation for payments made to subrecipients. During this testing we examined a reimbursement request which included costs for a dinner seminar by a subrecipient for a topic related to the program. In reviewing the documentation, it was noted the reimbursement included $1,140 for wine served with the dinner.

Managements Response:

In response to audit finding 08-4, the Immunization Program distributed the Guidelines for Immunization Program Operations Manual Allowable and Nonallowable Costs to all subgrantees. The Immunization Program will obtain acknowledgment from each subrecipient of receipt and understanding of these guidelines. A process to review each subrecipient reimbursement request has been instituted within the program to ensure that each reimbursement meets the same cost standards as those that apply to the Immunization Program. The process includes a thorough review by the program fiscal staff, program fiscal manager, and program manager to ensure any unallowed costs are identified and not reimbursed.

In addition, in response to audit finding 08-4 the Immunization Program has contacted the subrecipient and requested the return of the $1,140 in nonallowable costs previously reimbursed.

If additional information is required, please contact me at (775) 684-4200.

Sincerely,

Richard Whitley, MS
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael J. Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-5:

HIV Care Formula Grants, CFDA 93.917:

Grant Award Number: Potentially affects both grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in the OMB Circular A-133 Compliance Supplement, the State is responsible to ensure funds expended for women, youth, infants, and children with HIV disease are not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS.

During our audit, we examined the report prepared by State personnel to support this earmarking requirement. The report included reimbursed expenditures to subrecipients categorized by the various populations involved (women, youth, infants, or children). Based on the total percentage of women, infants, children and youth with AIDS to the general population, the State was required to expend, in total, at least 17.51 percent of the funds to serve the women, infant, children and youth population. The State expended, in total, 18.41 percent of the funds for these populations. However, using the ratio of individual populations involved, the State was required to expend $928,624 and $301,714 for women and youth with AIDS, respectively, but only $827,697 and $85,943 were expended for these two elements of the populations, respectively. While it appears that the State satisfied the earmarking requirements for infants and children, the shortages of expenditures for women and youth were $100,927 and $215,771, respectively.

Questioned costs: None.

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

Effect: Women and youth with HIV disease may not have received funding they were entitled to receive.

Cause: The Nevada State Health Division did not have adequate policies and procedures in place to ensure that sufficient amounts to satisfy this earmarking requirement were expended as prescribed.

Recommendation: We recommend the Nevada State Health Division implement policies and procedures to ensure that amounts expended for women, youth, infants, and children with HIV are at, or above, the amount prescribed.

Management's Response: See management's response on pages 124 through 125.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-6:

HIV Care Formula Grants, CFDA 93.917:

Grant Award Number: Potentially affects both grant awards included under CFDA 93.917 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in the OMB Circular A-133 Compliance Supplement, a pass-through entity is required to use a portion of the funds awarded to establish a program to provide therapeutics to treat HIV/AIDS or prevent the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections. The 2007 Federal year grant award to the State specifies this earmarked minimum to be $5,784,830 for these AIDS Drug Assistance Program (ADAP) costs and requires that the actual amount expended be disclosed in the annual Financial Status Report (Form 269).

During our audit, we tested the annual Form 269 for the Federal year 2007 grant award. The amount disclosed on the report as being expended for ADAP costs was $4,399,737, which is significantly below the requirement for this grant award. An alternate expenditure report prepared by program personnel identified $5,049,829 as expended for ADAP costs for this grant award, and a subsequent expenditure report for ADAP costs supported $5,642,221 of ADAP expenditures. The two preliminary expenditure reports did not include administrative costs and some amounts classified as core medical services that may be eligible to be included in the ADAP total.

Questioned costs: Undetermined.

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

Effect: The State may not have expended an adequate amount of the funds for ADAP to satisfy this earmarking requirement.

Cause: The Nevada State Health Division did not have adequate procedures in place to monitor all of the amounts eligible to be included to the ADAP total ensure that the minimum amounts prescribed for ADAP were expended for that purpose.

Recommendation: We recommend the Nevada State Health Division enhance procedures to monitor all of the amounts eligible to be included in the ADAP total to ensure that the amount of ADAP funds expended is adequate to satisfy the earmarking requirement.

Management's Response: See management's response on pages 125 through 126.

STATE OF NEVADA

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director

RICHARD WHITLEY, MS
Administrator

MARY GUINAN, MD, PhD
State Health Officer

DEPARTMENT OF HEALTH AND HUMAN SERVICES
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Telephone: (775) 684-4200 · Fax: (775) 684-4211

March 17, 2009

CDR Beth A. Henson, MA, MSW, LICSW
Senior Public Health Analyst, Western Services Branch
United States Department of Health & Human Services
Health Resources and Services Administration (HRSA)
HIV AIDS Bureau, Division of Service Systems
5600 Fishers Lane, Room 7A-42
Rockville, MD 20857

Dear Commander Henson:

Kafoury, Armstrong & Co., CPA's performed an annual Single Audit of several federal grant programs, which are administered by the Nevada State Health Division for the fiscal year ended June 30, 2008. Included in the audit was the Ryan White Part B CARE Program, CFDA 93. 917.

The following response is provided in response to the June 30, 2008 audit of our Division.

Finding 08-5: HIV Care Formula Grants, CFDA 93.917

Criteria and Conditions:

As noted in the OMB Circular A-133 Compliance Supplement, the State is responsible to ensure funds expended for women, youth infants, and children with HIV disease are not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS.

During our audit, we examined the report prepared by State personnel to support this earmarking requirement. The report included reimbursed expenditures to sub-recipients categorized by the various populations involved (women, youth, infants, or children). Based on the total percentage of women, infants, children, and youth with AIDS to the general population, the State was required to expend, in total, at least 17.51 percent of the funds to serve the women, infant, children, and youth population. The State expended, in total, 18.41 percent of the funds for these populations. However, using the ratio of

individual populations involved, the State was required to expend $928,624 and $301,714 for women and youth with AIDS, respectively, but only $827,697 and $85,943 were expended for these two elements of the populations, respectively. While it appears that the State satisfied the earmarking requirements for infants and children, the shortages of expenditures for women and youth were $100,927 and $215,771, respectively.

Recommendation:

We recommend the Nevada State Health Division implement policies and procedures to ensure that amounts expended for women, youth, infants, and children with HIV are at, or above, the amount prescribed.

Management's Response to Finding 08-5:

The Ryan White Program staff did expend 18.41% of funds in excess of the required 17.51% required by burden of disease for women, infants, children and youth (WICY) in Nevada. While every effort was made to meet each WICY earmark, the 17.51% statewide, burden of diagnosed disease, does not represent the small portion of the population that Ryan White Part B serves. There is no way to predict which category of consumers will walk in the door that are eligible for services. Many individuals that fall into the WICY category are on private insurance or simply not eligible for Ryan White services. Very few Nevada vendors serve youth as part of their mission and programmatic offerings. Staff will pursue a waiver from the Project Officer regarding meeting the statewide WICY percentages rather than all the individual categorical components.

Finding 08-6: HIV Care Formula Grants, CFDA 93.917:

Criteria and Conditions:

As noted in the OMB Circular A-133 Compliance Supplement, a pass-through entity is required to use a portion of the funds awarded to establish a program to provide therapeutics to treat HIV/AIDS or present the serious deterioration of health arising from HIV/AIDS in eligible individuals, including measures for the prevention and treatment of opportunistic infections. The 2007 Federal year grant award to the State specifies this earmarked minimum to be $5,784,830 for these AIDS Drug Assistance Program (ADAP) costs and requires that the actual amount expended be disclosed in the annual Financial Status Report (Form 269).

During our audit, we tested the annual Form 269 for the Federal year 2007 grant award. The amount disclosed on the report as being expended for ADAP costs was $4,399,737, which is significantly below the requirement for this grant award. An alternate expenditure report prepared by the program personnel identified $5,049,829 as expended for ADAP costs for the grant award, and a subsequent expenditure report for ADAP costs supported $5,642,221 of ADAP expenditures. The two preliminary expenditure reports did not include administrative costs and some amounts classified as core medical services that may be eligible to be included in the ADAP total.

Recommendation:

We recommend the Nevada State Health Division enhance procedures to monitor all of the amounts eligible to be included in the ADAP total to ensure that the amount of ADAP funds expended is adequate to satisfy the earmarking requirements.

Management's Response to Finding 08-6:

Nevada spent 100% of the ADAP earmark on appropriate expenditures. The new HRSA Final Expenditure Report permitted documentation of the same expenditures in more than one category. There were not adequate instructions provided with the new federal form. The flexible approach provided by this form appears to account for the illusion that the earmark was not met. The audit problem was not with spending the money appropriately but with the documentation, therefore, internal controls will be updated and procedures will be put in place to ensure that the ADAP earmark is clearly met.

If additional information is required, please contact me at (775) 684-4200.

Sincerely,

Richard Whitley, MS
Administrator

Attachments

cc: Debra J. S. Clark, CPA, Kafoury, Armstrong, & Co., CPA
Michael J. Willden, Director, Department of Health and Human Services
Michael Torvinen, Deputy Director, Department of Health and Human Services
Shannon Ryan, Audit Supervisor, Legislative Counsel Bureau, Audit Division

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-7:

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 2008. 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: $21,530, which represents the amount paid for the numerous cases identified who were no longer eligible for benefits, for the period after the alert was entered and before the fiscal year end.

Context: The condition noted above appears to be a systemic problem. NOMADS identified numerous cases where the TANF recipient was identified by the State's IV-D agency as being non-cooperative in 2008. Of the 25 cases selected from this population for testing, 16 cases did not have their TANF assistance terminated in response to the alert entered into NOMADS.

Effect: Benefits were paid to recipients who were no longer eligible.

Cause: Communication between the case managers and the eligibility workers was not adequate to ensure benefits were terminated for TANF recipients not cooperating with the Child Support Enforcement program.

Recommendation: We recommend the Division of Welfare and Supportive Services continue to reinforce compliance with existing policies related to case file management, and develop better communication systems between the case managers and the eligibility workers to ensure appropriate action is taken for non-cooperation alerts generated by NOMADS.

Management's Response: See management's response on page 129.

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF WELFARE AND SUPPORTIVE SERVICES
1470 College Parkway
Carson City, Nevada 89706-7924
(775) 684-0500 • Fax (775) 684-0646

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director

ROMAINE GILLILAND
Administrator

March 10, 2009

Ms. Tracy Donovan, Program Specialist
Administration for Children & Families, Region IX
90 7th St., 9th Floor
San Francisco, California 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, 2008. Included in the audit was the grant for Temporary Assistance for Needy Families (TANF), CFDA 93.558. Kafoury, Armstrong's finding 08-7 concerns this program.

Finding 08-7 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, and develop better communication systems between the case managers and the eligibility workers to ensure appropriate action is taken for non-cooperation alerts generated by NOMADS.

DWSS's Response:
The Division of Welfare and Supportive Services accepts this finding and is initiating immediate corrective action steps as noted below to ensure procedural implementation and compliance before June 30. The auditors noted that communication between the case managers and the eligibility workers was not adequate to ensure benefits were terminated for TANF recipients not cooperating with the Child Support Enforcement Program.

Corrective Action:
Effective, April 1, 2009 the responsibility to close Temporary Assistance to Needy Families (TANF) when there is reported non-compliance with the Child Support Enforcement (CSE) program will be accomplished by administrative support staff working directly under the supervision of the Field Services Manager. An informational memorandum will be published to all CSE staff announcing new business protocol whereby all reports of non-compliance are communicated to both the administrative support staff and the Field Services Manager who will oversee the timeliness of action. DWSS is confident through these actions we will overcome this concern and secure full policy compliance.

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

Sincerely,

Romaine Gilliland
Administrator

cc: Shannon Ryan, CPA Audit Supervisor, Legislative Counsel Bureau
Sue Smith, Deputy Administrator, Administrative Services
Gary Stagliano, Deputy Administrator, Program/Field Operations
Lynn Massell, Chief Accountant
Jeffrey Brenn, Chief, Eligibility & Payments
Louise Bush, Chief, Child Support Enforcement Program
Joe Garcia, Field Services Manager
Jeanne Gregg, Auditor III, PRE

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-8:

Child Support Enforcement, CFDA 93.563:

Grant Award Number: Potentially affects all grants awards included under CFDA 93.563 and 93.658 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred.

The Controller's Annual CMIA Report to the U.S. Treasury is the means by which the State's interest liability to the U.S. Treasury is reported. The liability is calculated using revenues and expenditures "tagged" with a CFDA program number in the State's cash management system. As such, it is essential to ensure that the expenditures in this system agree to the Schedule of Expenditures of Federal Awards (which is compiled from internally-developed Single Audit Reporting Forms, SARFs). To accomplish this, the State Controller's office performs a reconciliation of the cash activity of each program covered under the CMIA. This reconciliation is performed to ensure each program's reported expenditures and receipts for the year (captured via the SARFs) agree with those included in the State's cash management system. Once this reconciliation is complete, the daily balances of Federal Funds on hand (by CFDA program number) are computed. These daily balances of Federal Funds are averaged to calculate an *average* daily balance of Federal Funds for each program, which are then multiplied by a federally approved interest rate to determine the interest liability to (from) the U.S. Treasury.

During testing of the Annual CMIA report, errors were identified in the calculation of the daily balances of Federal Funds, which impacted the *average* daily balances of Federal Funds and ultimately, the calculated interest liability.

Some programs, such as Child Support Enforcement (CSE), have both State and Federal components to their expenditures, but the entire amount is coded or "tagged" with the CFDA program number in the cash management system. For example, with a $100 expenditure, the entire $100 will be coded to the program in the cash management system. However, the State has a match of approximately 20%; therefore, only $80 will be drawn down and only $80 will be recorded as a Federal expenditure on the SARF. In these instances, an adjustment must be made to reduce the expenditures reflected in the

cash management system by the match percentage in order for the daily balance of Federal Funds to be correct.

While testing the support for the Annual CMIA report filed for State fiscal year 2008, we noted that the adjustment to reduce the CSE expenditures by the match percentage was not made, which resulted in an understatement of the daily balance of Federal Funds for CSE. This resulted in an incorrect interest liability reported on the Annual CMIA Report.

Questioned Costs: Undetermined.

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

Effect: The State's interest liability to the U. S. Treasury as reported on the Annual CMIA Report was incorrect.

Cause: The methodology used to determine the daily balances of Federal Funds for certain programs was not documented in sufficient detail to ensure the determination of the daily balances of Federal Funds was accurate.

Recommendation: We recommend the methodology used to determine the daily balances of Federal Funds be documented in writing in sufficient detail to ensure the determination of the daily balances of Federal Funds is accurate.

Management's Response: See management's response on pages 132 through 133.

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

MARK TAYLOR
Assistant Controller

STATE OF NEVADA

KAREN HOPPE
Chief Deputy Controller

ALEX ECHO
Data Processing Manager

OFFICE OF THE
STATE CONTROLLER

March 13, 2009

Connie Kitchings
Financial Program Specialist
U.S. Department of the Treasury
Financial Management Services
401 14th Street SW
Washington, D.C. 20227

Dear Ms. Kitchings:

Kafoury, Armstrong & Co., CPAs, performed a Single Audit of the State of Nevada's Federal Award Programs for the fiscal year ended June 30, 2008. The audit included State filings required under the **Cash Management Improvement Act**. Kafoury, Armstrong & Co.'s **Finding 08-08** relates to the requirements under this Act.

Finding 08-08 resulted in the following recommendation:
We recommend the methodology used to determine the daily balances of Federal Funds be documented in writing in sufficient detail to ensure the determination of the daily balances of Federal Funds was accurate.

Response:

The Controller's Office acknowledges this finding and has taken the steps described in the **Corrective Action** below to implement the recommendation. In addition, proposed adjustments for any overstatements or understatements of State interest liability will be included on the Fiscal 2009 Annual Report of Interest Liability.

Corrective Action:

The Controller's Office has enhanced written procedures for interest liability calculation to include detail sufficient to ensure the accuracy of the calculations. In this revision, the Controller's Office also plans to phase into its interest calculation procedure the provision that the revenue and expenditures reported

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555 E. Washington Avenue, Suite 4300
Las Vegas, Nevada 89101-1071
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Fax (702) 486-3896

on Single Audit Reporting Forms (SARFs), and consequently, the Schedule of Expenditures of Federal Awards, of all major programs under the Treasury- State Agreement reconcile at the agency level to the accounting records from which interest liability is calculated. Full implementation of this provision will allow for a single method to be used in calculating interest liabilities of each major program for which calculations are currently made, eliminating errors resulting in understatement or overstatement of interest liability.

Please contact me with any questions you may have.

Sincerely,

Kim R. Wallin

Kim R. Wallin, CMA, CFM, CPA

State Controller

U.S. DEPARTMENT OF LABOR:

Finding 08-9:

Unemployment Insurance, CFDA 17.225

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

Criteria and Condition: As noted in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments,* costs charged to the Federal program must be adequately documented in order to determine the allowability of costs.

As part of our testing over allowable costs/cost principles, we tested a sample of transactions for conformance with the criteria contained in the "Basic Guidelines" section of OMB Circular A-87. For one of the transactions selected to test, no supporting documentation was available.

Questioned Costs: None.

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

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

Cause: The State Department of Employment, Training, and Rehabilitation did not follow the policies and procedures in place to ensure that amounts charged to the Federal program were adequately supported and the documentation was retained.

Recommendation: We recommend that the State Department of Employment, Training, and Rehabilitation follow the policies and procedures in place to ensure amounts charged to Federal programs are adequately supported and the document retained in order to support the allowability of costs.

Management's Response: See management's response on pages 135 through 136.

JIM GIBBONS
Governor

LARRY J. MOSLEY
Director

OFFICE OF THE DIRECTOR

March 11, 2009

Pat Reid
US Department of Labor / ETA
90 Seventh Street, Suite 17-300
San Francisco, CA 94103

Dear Ms. Reid:

Kafoury, Armstrong & Co., CPAs, performed an annual single audit of several Federal grant programs, which are administered by the Nevada Department of Employment, Training and Rehabilitation (DETR) for the fiscal year ended June 30, 2008. Included in the audit was the Unemployment Insurance program (CFDA 17.225). Kafoury, Armstrong's Finding 08-9 concerns this program.

Finding 08-9 resulted in the following recommendation:
We recommend that the state Department of Employment, Training, and Rehabilitation follow the policies and procedures in place to ensure amounts charged to Federal programs are adequately supported and the document retained in order to support the allowability of costs.

Response: DETR acknowledges this finding and will be taking the steps described in the "Corrective Action" below to implement the recommendation. As a result of DETR not being able to produce supporting documentation for one of the selected test transactions, the auditors noted that DETR did not follow the policies and procedures in place to ensure that amounts charged to the Federal program were adequately supported and the documentation was retained.

Corrective Action: DETR will reiterate to staff our filing and retention policies for all payments made by DETR. We will also reinforce our policy of identifying any payment removed from the files for review, research or other purpose by replacing the file or document with a file placeholder identifying the removed file, user and date. This placeholder will remain until the original file or documents are returned.

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If you have questions, please contact me at 775-684-3878 or rlolson@nvdetr.org.

Sincerely,

Renee Olson
Chief Financial Officer

CC: Debra Clark, CPA, Kafoury, Armstrong & Co.
Shannon Ryan, CPA, Legislative Counsel Bureau
Larry Mosley, Director, DETR
Cindy Jones, Deputy Director, DETR
John Macnab, Deputy CFO, DETR

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-10:

Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775:
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777:
Medical Assistance Program, CFDA 93.778:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.775, 93.777 and 93.778 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: OMB Circular A-133 requires that providers of medical services furnishing services must be licensed in accordance with federal, state and local laws and regulations in order to participate in the Medicaid program and receive Medicaid payments (45 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act).

The State of Nevada has contracted with First Health Services Corporation to provide for the administration of Medicaid providers, including determining that the providers are licensed in accordance with federal, state and local laws and regulations. We selected a sample of providers who had received payments under the Medicaid program and requested copies of the providers' licenses for review. First Health Services Corporation did not have copies of the licenses on file for all of the providers selected for testing.

Questioned Costs: None.

Context: The condition noted above appears to be a systemic problem. Of the 25 providers selected for testing, three providers did not have licenses on file with First Health Services Corporation.

Effect: There was a lack of documentation to support that the State of Nevada had complied with the provider licensing requirements specified in OMB Circular A-133.

Cause: The Division of Health Care Financing and Policy did not effectively monitor that First Health Services Corporation was maintaining copies of licenses of Medicaid providers as evidence of the providers being licensed in accordance with Federal, state and local laws and regulations.

Recommendation: We recommend the Division of Health Care Financing and Policy periodically monitor that First Health Services Corporation is maintaining copies of licenses of Medicaid providers as evidence of the providers being licensed in accordance with Federal, state and local laws and regulations.

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

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 08-11:

Medicaid Cluster:
State Medicaid Fraud Control Units, CFDA 93.775:
State Survey and Certification of Health Care Providers and Suppliers, CFDA 93.777:
Medical Assistance Program, CFDA 93.778:

Grant Award Number: Potentially affects all grant awards included under CFDA 93.775, 93.777 and 93.778 on the Schedule of Expenditures of Federal Awards.

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

The State of Nevada, Department of Health and Human Services, Division of Health Care Financing and Policy, prepares the CMS-64 report on a quarterly basis for submission to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services. During the testing of one of the CMS-64 reports submitted during 2008, we determined that the report contained an incorrect amount, which resulted in an overstatement of Federal expenditures for that quarter in the amount of $124,562.

Questioned Costs: None.

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

Effect: Medicaid expenditures for the quarter ending December 31, 2007 were overstated.

Cause: An erroneous amount was entered for a specific expenditure line-item on the CMS-64 report and this error was not detected during the review and approval process. The Division of Health Care Financing and Policy did not have adequate review procedures in place to ensure the amounts reported on the CMS-64 report were supported by the underlying accounting records.

Recommendation: We recommend that the Division of Health Care Financing and Policy enhance its review policies related to the preparation of the CMS-64 report to ensure that expenditures reported are supported by the underlying accounting records.

Management's Response: See management's response on page 140.

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH CARE FINANCING AND POLICY
1100 E. William Street, Suite 101
Carson City, Nevada 89701
(775) 684-3600

JIM GIBBONS
Governor

MICHAEL J. WILLDEN
Director

CHARLES DUARTE
Administrator

March 13, 2009

Linda Gee
Centers for Medicare and Medicaid Services
90 7th Street, Suite 5-300 (5W)
San Francisco, CA 94103-6707

Dear Ms. Gee:

Kafoury, Armstrong & Co., CPAs, performed an annual Single Audit of several Federal grant programs, which are administered by the Department of Health and Human Services, Division of Health Care Financing and Policy for the fiscal year ended June 30, 2008. The audit consisted of a **Medicaid Cluster**, including 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 and Medical Assistance Program (CFDA 93.778). Kafoury, Armstrong's **Findings 08-10 08-11** concerned these programs.

Finding 08-10 resulted in the following recommendation:

We recommend the Division of Health Care Financing and Policy periodically monitor that First Health Services Corporation is maintaining copies of licenses of Medicaid providers as evidence of the providers being licensed in accordance with Federal, state and local laws and regulations.

Response: The Division of Health Care Financing and Policy (DHCFP) acknowledges this finding and has taken steps described in the Corrective Action below to implement the recommendation.

Corrective Action: DHCFP will be developing and implementing a process whereby on a monthly basis, a sample of provider enrollment records will be reviewed to ensure the applicable licensing documentation is collected which supports the provider's Medicaid enrollment.

Finding 08-11 resulted in the following recommendation:

We recommend that the Division of Health Care Financing and Policy enhance its review polices related to the preparation of the CMS-64 report to ensure the expenditures reported are supported by the underlying accounting records.

Response: The Division of Health Care Financing and Policy (DHCFP) acknowledges this finding and has taken steps described in the Corrective Action below to implement the recommendation. The auditors noted that DHCFP review policies related to preparation of the CMS-64 report needed to be enhanced to ensure the expenditures reported supported the underlying accounting records. DHCFP prepared the December 07 quarter CMS-64 and overstated Federal expenditures for that quarter in the amount of $124,562 in the working papers that support the report. The December 08 quarter, CMS-64 report corrected the overstated Federal expenditures and the underlying accounting records were corrected.

Corrective Action: DHCFP has completed and implemented thorough written procedures for the review process of the CMS-64 to ensure that the expenditures reported are accurately supported by the underlying accounting records.

If you have questions please contact me at 775-684-3677 or cduarte@dhcfp.nv.gov.

Thank you,

Charles Duarte, Administrator
Division of Health Care Financing and Policy
State of Nevada

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

MARK TAYLOR
Assistant Controller

STATE OF NEVADA

KAREN HOPPE
Chief Deputy Controller

ALEX ECHO
Data Processing Manager

OFFICE OF THE
STATE CONTROLLER

March 13, 2009

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, 2008.

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.

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(NSPO Rev. 2-09)

(O) 3525

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: The WIC program is in 100% compliance with the 120 day rule for finding and accounting for food instruments with errors. The billing to the vendors for errors contained in the food instruments has been caught up to schedule and is done on a timely monthly basis.

Finding 06-6:

Program: Department of Health and Human Services, Health Division
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: In response to audit finding 06-6, the Immunization Program included in its annual provider enrollment agreement for the 2008 enrollment period (Jan1 – Dec 31) the following language:

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

- 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 & 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.

Finding 06-13:

Program: Department of Health and Human Services, Division of Child and Family Services
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: Fully implemented. 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 completed and include a step that requires supervisory review.

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

Finding 07-1:

Finding Summary: Statement No. 28 issued by the Governmental Accounting Standards Board requires a government to disclose in a note to the financial statement, 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.

State's Response: The Controller's Office and the Treasurer's Office have agreed to ensure that information is transmitted in a format that provides an audit trail and provides evidence of delivery.

Finding Status: The Controller's Office has implemented a policy requiring all communication with the Treasurer's Office to be in writing with a request for written confirmation of receipt. All documentation requested from the Treasurer's Office is now only accepted in a format that provides an audit trail and evidence of delivery. In addition, any information that can be verified by a third party (i.e., statements) must be verified using third party information.

Finding 07-2:

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 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.

State's 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 2007, 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.

Finding Status: The problems with the WIC system have been corrected, reducing the unmatched redemptions to an acceptable percent which in turn are researched and resolved to zero monthly.

Finding 07-3:

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

Temporary Assistance for Needy Families (TANF), CFDA 93.558

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

We obtained a list of case files where the TANF recipient was identified by the State's IV-D agency as being non-cooperative with the Child Support Enforcement program through means of a system generated alert processed by the Nevada Operations of Multi-Automated Date 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.

State's 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.

Finding Status: Staff continues to routinely monitor adherence to policy through Internal Quality Control case reviews, Supervisory, and Management Evaluation case

reviews. Internal monitoring has not identified any further instances of this type. Policy adherence continues to be monitored and subject matter training is part of the Division's new worker program as well as our in-service training curriculum.

Finding 07-4:

Program: Department of Health and Human Services, Health Division
Immunization Grants, CFDA 93.268

Finding Summary: The OMB Circular A-133 Compliance Supplement requires that the Catalog of Domestic Federal 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 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.

State's Response: 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 Status: In response to audit finding 07-4, all providers receiving state supplied vaccine receive an order confirmation that contains the value of the vaccine being distributed for that particular request. Attached is an example of a vaccine request confirmation.

Finding 07-5:

Program: Department of Health and Human Services, Health Division

Immunization Grants, CFDA 93.268
Centers for Disease Control and Prevention_Investigations and Technical Assistance, CFDA 93.283

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

The Health Division does not actively monitor its subrecipients' audit reports to identify findings, issue management decisions, and ensure corrective actions are taken on audit findings.

State's Response: 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)

Finding Status: In response to audit finding 07-5, the Immunization Program was prepared to inform providers of the audit requirements under OMB Circular A-133. On June 3, 2008, the Immunization Program received an update to OMB Circular A-133. Please note Section IV, Other Information:

> "...Vaccinating providers and vaccinated individuals are not considered subrecipients; therefore, the value of vaccine received is not a grant expenditure for purposes of determining audit coverage and reporting for those entities."

Upon receipt of the updated OMB Circular A-133, the Immunization Program suspended plans to notify providers of audit requirements as recommended by Audit Finding 07-5.

Centers for Disease Control and Prevention, Investigations and Technical Assistance Programs under CFDA number 93.283 were misunderstood to be outside the scope of this finding and thus, no steps were taken in SFY 08 to address the issues presented. However, the Health Division will immediately take steps over the SFY 09 fiscal period to develop a procedure to track all subrecipient audit reports and to ensure that they are reviewed by the appropriate personnel.

Finding 07-6:

Program: Department of Health and Human Services, Division of Child and Family Services Foster Care IV-E, CFDA 93.658
Adoption Assistance, CFDA 93.659

Finding Summary: 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.

State's 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.

Finding Status: Fully Implemented. The Division of Child and Family Services (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 continues when staff turn-over occurs 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.

Finding 07-7:

Program: Nevada Commission on Economic Development, Rural Community Development
Community Development Block Grants/State's Program, CFDA 14.228

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 subrecipients take timely and appropriate corrective action on all audit findings.

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.

State's Response: The Nevada Commission on Economic Development 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.

Finding Status: Further to our letter of March 7, 2008 in response to the above finding:

- We have stressed to our grantees at 3 grant administration workshops in June and July, and at 1 grant application workshop and the annual CDBG Forum in August, the need to complete and submit annual financial audits to the Commission on Economic Development, within 9 months of the end of the relevant audit period, if $500,000 or more in Federal funds have been expended during the appropriate fiscal year;
- We have established a tracking system to record receipt of grantee audits. This comprises a questionnaire that is e-mailed to our grantees in September, asking them if they have expended $500,000 or more in the previous fiscal year and reminding them to send us their financial audits for that period. (Most of our grantees operate on a fiscal year July 1 to June 30). If the audits are not received by December 30, reminders are sent out in January;
- The incoming audits are reviewed by a CDBG Program Specialist who maintains a simple spreadsheet indicating the responses to the above questionnaire, date of receipt of the audits, and a summary of any findings and follow-up pursuant to the review of the audits;
- A filing system has been established which consists of a master folder containing the summary spreadsheet referred to above, a folder for each grantee divided into sub-folders for each fiscal period. These sub-folders contain all the correspondence with that grantee on the

relevant audit, the review checklist, any findings pertaining to the use of CDBG funds, and details on follow-up corrective actions.

We believe the system as explained above will result in grantee audits being completed and submitted in a timely manner, and will facilitate appropriate audit review and proper correction of any non-compliance issues.

Finding 07-8:

Program: Nevada Commission on Economic Development, Rural Community Development
Community Development Block Grants/State's Program, CFDA 14.228

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. Instructions for the Performance and Evaluation Report (PER) issued by the U.S. Department of Housing and Urban D evelopment 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.

State's Response: The Nevada Commission on Economic Development 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.

Finding Status: With regard to this finding, which included a recommendation that the State's CDBG Program enhance (Performance Evaluation) Report preparation to meet the requirements of the U.S. Department of Housing and Urban Development (HUD), we have:

- Sought and obtained clarification from HUD (Ref. CPD Notice 07-06) and others (including CDBG Program management in Utah) on the proper preparation of the financial section of the annual Performance Evaluation Report (PER);
- Completed the PER for Program Year 2007-08 and corrected previous PERs to properly reflect the amounts drawn down from the State's line of credit with HUD;
- Included in these corrections the amounts drawn down for program administration and other allowable program costs (such as technical assistance), as advised by Kafoury Armstrong & Co. in their Single Audit of January 2008.

We believe that the PERs have been being properly adjusted and prepared in line with HUD's requirements.

Finding 07-9:

Program: Department of Public Safety, Division of Emergency Management
Homeland Security Cluster, CFDA 97.004 and 97.067

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.

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.

State's 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.

Finding Status: The Nevada Department of Public Safety, Division of Emergency Management, has developed a master listing of all sub-grantees receiving federal funds. This listing will serve as an audit tracking checklist to document when audits are due from recipient agencies. Agencies are required to submit a copy of their annual audit when it has been completed. Most of the required A-133 audits have been received and reviewed for significant findings. The Division's Administrative Services Officer has prepared a letter to all sub-recipients that have not submitted an audit report, requesting them to provide a copy as required in the assurances. Periodic follow-ups will be done to ensure that all audits are received and that any necessary corrective action plans are completed within the prescribed timeframes.

Finding 07-10:

Program: Department of Education
Improving Teacher Quality State Grants, CFDA 84.367

Finding Summary: 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.

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).

State's 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.

Finding Status: The Nevada Department of Education 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 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.

Finding 07-11:

Program: Department of Education
Vocational Education_Basic Grants to States, CFDA 84.048

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 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.

State's 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 their being entered into the Federal reporting system.

Finding Status: The Nevada Department of Education (NDE) has added check figures and formulas to the underlying spreadsheets that its office uses to prepare the FSRs in order to ensure the State accounting records will support the expenditure amounts that it enters into the FSRs, and to verify that the expenditures reported on the FSR maintain the integrity of the "within State" allocations established in section 112 (a) of the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III). The NDE also reported that it planned to add working notes to the FSR supporting documentation with sufficient detail to enable the reconciliation between the State's accounting system records and the FSR expenditure report figures. Finally, the grants analyst in the NDE's Office of Career & Technical and Adult Education (OCTAE) who is responsible for calculating the allocations and preparing the sub-grant awards to eligible secondary and postsecondary recipients of Perkins funds will review these expenditure figures prior to the expenditure amounts being entered into the CAR report.

In addition, the determination of the Assistant Secretary for Vocational and Adult Education states:

"...The NDE, having agreed with the finding and recommendation contained in the audit report, instituted a corrective action plan by creating an internal procedure for the review of the CAR report. Specifically the NDE has established a process whereby the assistant director for the Nevada Office of Fiscal Services will complete the FSR report. The FSR report will then be reviewed and certified by the grants analyst and assistant director for the OCTAE. The OCTAE will insert the FSR into the CAR report that is submitted to OVAE after the OCTAE certifies the FSR.
The OCTAE also provided additional documentation to address this finding. Specifically, the OCTAE submitted a "revised" fiscal year 2004 final FSR to OVAE on March 21, 2008. This FSR report, which covered the Perkins III grant award period of July 1, 2004, to September 30, 2006, provided revised expenditure data for secondary and postsecondary eligible recipients, which the OCTAE claims reconciles to the State's accounting records.

Accordingly, we do not require any further corrective action at this time, given the State's implementation of a corrective action plan as state above. Therefore, this finding is considered **resolved and closed.**

Please be aware that, in subsequent audits of Federally funded programs, a review may be made of the State's implementation of the corrective action. Failure to implement corrective action may result in future determinations requiring repayment of Federal funds or may affect future Federal funding of your agency by the USDE."

Based on the *Summary Schedule of Prior Audit Findings,* the status of the findings at June 30, 2008 is as follows:

Finding Number

06-02 – Corrected
06-06 – Corrected
06-13 – Corrected
07-01 – Corrected
07-02 – Corrected
07-03 – Not Corrected
07-04 – Corrected
07-05 – Not Corrected
07-06 – Corrected
07-07 – Corrected
07-08 – Partially Corrected
07-09 – Corrected
07-10 – Corrected
07-11 – Corrected

Sincerely,

Kim R. Wallin

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

KRW:sh

STATE of NEVADA
IMMUNIZATION PROGRAM

VACCINE REQUEST CONFIRMATION

Transmitted to CDC for approval on: 9/23/2008

Pin: 1941 Contact: DOUG BANGHART
SHIPPING INSTRUCTIONS HAVE
CARSON CITY HEALTH & HUMAN SERVICES

900 E. LONG STREET,
CARSON CITY NV 89706
Ph: (775) 887-2190 **Fax #: (775) 887-2248**
Shipping Directions: M, T, W, TH, F ; MTTHF 8 TO 5

IF CONTACT, SHIPPING ADDRESS OR

CHANGED, PLEASE CONTACT THE
IMMUNIZATION PROGRAM IMMEDIATELY
AT nviz@health.nv.gov or (775) 684-5939

	Doses	Vaccine	Description		Cost/Dose	Total Cost
1 .	200	DTAP	DTAP-INFANRIX-10 X 1 DOSE VIAL	SKB	$13.75	$2,750.00
2 .	200	EIPV	INACT. POLIO-IPOL-10 DOSE VIAL	AVENTIS	$11.48	$2,296.00
3 .	200	HEP B-PF	HEP B PRESERVATIVE FREE, PED/ADOL -	SKB	$9.50	$1,900.00
4 .	200	MMR	Measles, Mumps, Rubella - MMR II	MSD	$18.26	$3,652.00
5 .	50	TDAP	TDAP BOOSTER FOR ADOLESCENTS	SKB	$31.75	$1,587.50
6 .	200	TDAP	TDAP BOOSTER FOR ADOLESCENTS	AVENTIS	$30.75	$6,150.00
			*Total Value of Non-cash Federal Assistance:			$18,335.50

****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.

Thursday, September 25, 2008 12:35:28 PM