

**NAC 354.410 Available resources. ([NRS 354.107](#), [354.594](#), [354.598005](#))**

1. An unappropriated ending balance of any governmental fund, except a fund for capital projects, is not an available resource. Available resources are:

- (a) An opening balance which is larger than anticipated;
- (b) Revenues in excess of those budgeted;
- (c) Revenues generated from previously unbudgeted sources; or
- (d) An unappropriated ending balance of a fund for capital projects.

2. The difference between the total of the original budgeted resources and the total of the revised resources is the amount available for budget augmentation.

[Tax Comm'n, Local Gov't Reg. part No. 10, eff. 1-13-72; A 2-7-76; 1-14-82]—(NAC A 8-2-90; A by Com. on Local Gov't Finance by R201-01, 4-5-2002)

**NRS 354.624 Annual audit: Requirements; designation of auditor; scope and disposition; dissemination; prohibited provision in contract with auditor.**

1. Each local government shall provide for an annual audit of all of its financial statements. A local government may provide for more frequent audits as it deems necessary. Except as otherwise provided in subsection 2, each annual audit must be concluded and the report of the audit submitted to the governing body as provided in subsection 6 not later than 5 months after the close of the fiscal year for which the audit is conducted. An extension of this time may be granted by the Department of Taxation to any local government that submits an application for an extension to the Department. If the local government fails to provide for an audit in accordance with the provisions of this section, the Department of Taxation shall cause the audit to be made at the expense of the local government. All audits must be conducted by a certified public accountant or by a partnership or professional corporation that is registered pursuant to [chapter 628](#) of NRS.

2. The annual audit of a school district must:

(a) Be concluded and the report submitted to the board of trustees as provided in subsection 6 not later than 4 months after the close of the fiscal year for which the audit is conducted.

(b) If the school district has more than 150,000 pupils enrolled, include an audit of the expenditure by the school district of public money used:

(1) To design, construct or purchase new buildings for schools or related facilities;

(2) To enlarge, remodel or renovate existing buildings for schools or related facilities; and

(3) To acquire sites for building schools or related facilities, or other real property for purposes related to schools.

3. The governing body may, without requiring competitive bids, designate the auditor or firm annually. The auditor or firm must be designated, and notification of the auditor or firm designated must be sent to the Department of Taxation not later than 3 months before the close of the fiscal year for which the audit is to be made.

4. Each annual audit must cover the business of the local government during the full fiscal year. It must be a financial audit conducted in accordance with generally accepted auditing standards in the United States, including findings on compliance with statutes and regulations and an expression of opinion on the financial statements. The Department of Taxation shall prescribe the form of the financial statements, and the chart of accounts must be as nearly as possible the same as the chart that is used in the preparation and publication of the annual budget. The report of the audit must include:

(a) A schedule of all fees imposed by the local government which were subject to the provisions of [NRS 354.5989](#);

(b) A comparison of the operations of the local government with the approved budget, including a statement from the auditor that indicates whether the governing body has taken action on the audit report for the prior year;

(c) If the local government is subject to the provisions of [NRS 244.186](#), a report showing that the local government is in compliance with the provisions of paragraphs (a) and (b) of subsection 1 of [NRS 244.186](#); and

(d) If the local government is subject to the provisions of [NRS 710.140](#) or [710.145](#), a report showing that the local government is in compliance with the provisions of those sections with regard to the facilities and property it maintains and the services it provides outside its territorial boundaries.

5. Each local government shall provide to its auditor:

(a) A statement indicating whether each of the following funds established by the local government is being used expressly for the purposes for which it was created, in the form required by [NRS 354.6241](#):

- (1) An enterprise fund.
- (2) An internal service fund.
- (3) A fiduciary fund.
- (4) A self-insurance fund.
- (5) A fund whose balance is required by law to be:

(I) Used only for a specific purpose other than the payment of compensation to a bargaining unit, as defined in [NRS 288.028](#); or

(II) Carried forward to the succeeding fiscal year in any designated amount.

(b) A list and description of any property conveyed to a nonprofit organization pursuant to [NRS 244.287](#) or [268.058](#).

(c) If the local government is subject to the provisions of [NRS 244.186](#), a declaration indicating that the local government is in compliance with the provisions of paragraph (c) of subsection 1 of [NRS 244.186](#).

(d) If the local government is subject to the provisions of [NRS 710.140](#) or [710.145](#), a declaration indicating that the local government is in compliance with the provisions of those sections with regard to the facilities and property it maintains and the services it provides outside its territorial boundaries.

6. The opinion and findings of the auditor contained in the report of the audit must be presented at a meeting of the governing body held not more than 30 days after the report is submitted to it. Immediately thereafter, the entire report, together with the management letter required by generally accepted auditing standards in the United States or by regulations adopted pursuant to [NRS 354.594](#), must be filed as a public record with:

- (a) The clerk or secretary of the governing body;
- (b) The county clerk;
- (c) The Department of Taxation; and
- (d) In the case of a school district, the Department of Education.

7. After the report of the audit is filed by the local government, the report of the audit, including, without limitation, the opinion and findings of the auditor contained in the report of the audit, may be disseminated by or on behalf of the local government for which the report was prepared by inclusion, without limitation, in or on:

- (a) An official statement or other document prepared in connection with the offering of bonds or other securities;
- (b) A filing made pursuant to the laws or regulations of this State;
- (c) A filing made pursuant to a rule or regulation of the Securities and Exchange Commission of the United States; or
- (d) A website maintained by a local government on the Internet or its successor,

☐ without the consent of the auditor who prepared the report of the audit. A provision of a contract entered into between an auditor and a local government that is contrary to the provisions of this subsection is against the public policy of this State and is void and unenforceable.

8. If an auditor finds evidence of fraud or dishonesty in the financial statements of a local government, the auditor shall report such evidence to the appropriate level of management in the local government.

9. The governing body shall act upon the recommendations of the report of the audit within 3 months after receipt of the report, unless prompter action is required concerning violations of law or regulation, by setting forth in its minutes its intention to adopt the recommendations, to adopt them with modifications or to reject them for reasons shown in the minutes.

(Added to NRS by [1965, 735](#); A [1967, 939](#); [1969, 800](#); [1971, 1344](#); [1973, 184](#); [1975, 451](#), [1688](#), [1801](#); [1977, 547](#); [1981, 313](#), [1768](#); [1987, 1043](#); [1989, 620](#); [1995, 1896](#), [1935](#); [1997, 574](#), [1611](#), [1739](#); [1999, 472](#), [2945](#); [2001, 1810](#); [2003, 1231](#); [2005, 292](#), [1344](#))

**NRS 354.626 Unlawful expenditure of money in excess of amount appropriated; penalties; exceptions.**

1. No governing body or member thereof, officer, office, department or agency may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, medium-term obligation repayments and any other long-term contract expressly authorized by law. Any officer or employee of a local government who willfully violates [NRS 354.470](#) to [354.626](#), inclusive, is guilty of a misdemeanor and upon conviction thereof ceases to hold his or her office or employment. Prosecution for any violation of this section may be conducted by the Attorney General or, in the case of incorporated cities, school districts or special districts, by the district attorney.

2. Without limiting the generality of the exceptions contained in subsection 1, the provisions of this section specifically do not apply to:

(a) Purchase of coverage and professional services directly related to a program of insurance which require an audit at the end of the term thereof.

(b) Long-term cooperative agreements as authorized by [chapter 277](#) of NRS.

(c) Long-term contracts in connection with planning and zoning as authorized by [NRS 278.010](#) to [278.630](#), inclusive.

(d) Long-term contracts for the purchase of utility service such as, but not limited to, heat, light, sewerage, power, water and telephone service.

(e) Contracts between a local government and an employee covering professional services to be performed within 24 months following the date of such contract or contracts entered into between local government employers and employee organizations.

(f) Contracts between a local government and any person for the construction or completion of public works, money for which has been or will be provided by the proceeds of a sale of bonds, medium-term obligations or an installment-purchase agreement and that are entered into by the local government after:

(1) Any election required for the approval of the bonds or installment-purchase agreement has been held;

(2) Any approvals by any other governmental entity required to be obtained before the bonds, medium-term obligations or installment-purchase agreement can be issued have been obtained; and

(3) The ordinance or resolution that specifies each of the terms of the bonds, medium-term obligations or installment-purchase agreement, except those terms that are set forth in subsection 2 of [NRS 350.165](#), has been adopted.

È Neither the fund balance of a governmental fund nor the equity balance in any proprietary fund may be used unless appropriated in a manner provided by law.

(g) Contracts which are entered into by a local government and delivered to any person solely for the purpose of acquiring supplies, services and equipment necessarily ordered in the current fiscal year for use in an ensuing fiscal year and which, under the method of accounting adopted by the local government, will be charged against an appropriation of a subsequent fiscal year. Purchase orders evidencing such contracts are public records available for inspection by any person on demand.

(h) Long-term contracts for the furnishing of television or FM radio broadcast translator signals as authorized by [NRS 269.127](#).

(i) The receipt and proper expenditure of money received pursuant to a grant awarded by an agency of the Federal Government.

(j) The incurrence of obligations beyond the current fiscal year under a lease or contract for installment purchase which contains a provision that the obligation incurred thereby is extinguished by the failure of the governing body to appropriate money for the ensuing fiscal year for the payment of the amounts then due.

(k) The receipt by a local government of increased revenue that:

(1) Was not anticipated in the preparation of the final budget of the local government; and

(2) Is required by statute to be remitted to another governmental entity.

(l) An agreement authorized pursuant to [NRS 277A.370](#).

(Added to NRS by [1965, 736](#); A [1969, 801](#); [1971, 1016](#), [1345](#); [1973, 68](#), [1155](#); [1975, 40](#), [279](#), [711](#); [1981, 1769](#); [1985, 648](#); [1987, 1720](#); [1995, 1908](#); [1997, 573](#); [1999, 833](#); [2001, 1812](#), [2324](#); [2003, 162](#), [802](#); [2005, 579](#); [2009, 432](#), [852](#); [2011, 1690](#), [2728](#); [2013, 2715](#))

## Example 1

### NOTE 11 - COMPLIANCE AND ACCOUNTABILITY

Per NRS 354.626, the District is required to report and explain expenditures that exceeded budgeted appropriations at the function level for the General Fund, Special Revenue, and Capital Project Funds. The sum of operating and non-operating expenses in the Enterprise and Internal Service Funds may not exceed total appropriations. As of June 30, 2017, the District reported the following expenditures over appropriations:

The District's major General Fund has three functions exceeding appropriations; General administration was over budget by \$2,924,864 and school administration by \$14,361,157. Salaries and benefits increased as a result of the arbitrated contract settlement for School Administrators and Professional-technical employees, which was not included in the budget for these two functions. The transfers out exceeded appropriations by a net of \$10,006,381, which was a result of a transfer from General Fund to State Grants to cover Full Day Kindergarten actual expenditures that were in excess of the grant award.

The District's major Special Education Fund total expenditures exceeded appropriation by \$17,939 as salaries and benefits increased as a result of the arbitrated contract settlement for School Administrators and Professional-technical employees.

The District's non-major Special Revenue Fund – Class Size Reduction Fund reflects a budgeted expenditure overage of \$244,855 due to the increase in the funds received from the State which enabled additional teachers to be placed in positions to reduce class sizes in grades 1 through 3.

The District's Internal Service Fund – Insurance and Risk Management Fund reflects a budgeted expense overage of \$2,704,434 due to the increase in the actuarial requirement for worker's compensation and liability claims.

Per Nevada Administrative Code (NAC) 354.410, an unappropriated ending fund balance of any governmental fund, except a fund for capital projects, is not an available resource. In fiscal year 2017, the actual ending fund balance in the General Fund was lower than budgeted by \$684,505, which puts the District in violation of NAC 354.410.

NRS 354.598005 states budget appropriations in excess of budget may be transferred between funds with Board approval. The District made a transfer of \$29,314,664 between the General Fund and the State Grants Fund to cover expenditures in the state mandated Full Day Kindergarten program, that were in excess of the grant award. This resulted in a net \$10,006,381 over the budgeted transfer amount in the General Fund.

The Board was made aware on May 17, 2017 of the removal of Full Day Kindergarten revenue from the budget which resulted in the transfer from the General Fund to the State Grants Fund, however the District did not obtain the required approval of the transfer.



## Section II – Financial Statement Findings

**2017-A      Noncompliance with Nevada Revised Statutes Budget Requirements**  
**Material Noncompliance**  
**Material Weakness in Internal Control Over Compliance**

*Criteria:* Nevada Revised Statute (NRS) 354.626, *Unlawful expenditure of money in excess of amount appropriated; penalties; exceptions*, states that “No governing body or member thereof, officer, office, department or agency may, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function, other than bond repayments, medium-term obligation of repayments and any other long-term contract expressly authorized by law.”

NRS 354.598005, *Procedures and requirements for augmenting or amending budget*, allows for the transfer of budget appropriations between functions and/or funds if such a transfer does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions. Budget appropriations may be transferred in the following manner:

- (a) The person designated to administer the budget for a local government may transfer appropriations within any function.
- (b) The person designated to administer the budget may transfer appropriations between functions or programs within a fund, if:
  - (1) The governing body is advised of the action at the next regular meeting; and
  - (2) The action is recorded in the official minutes of the meeting.
- (c) Upon recommendation of the person designated to administer the budget, the governing body may authorize the transfer of appropriations between funds or from the contingency account, if:
  - (1) The governing body announces the transfer of appropriations at a regularly scheduled meeting and sets forth the exact amounts to be transferred and the accounts, functions, programs and funds affected;
  - (2) The governing body sets forth its reasons for the transfer; and
  - (3) The action is recorded in the official minutes of the meeting.

*Condition:* The District’s General Fund exceeded available budget appropriations in the amount of \$14,361,157 for the school administration function and \$2,924,864 for the general administration function. Additionally, the District transferred \$29,314,664 to the State Grants Fund, which was \$14,314,664 in excess of the approved budget without following the procedures required by NRS 354.598005 (c) above. The ending fund balance of the General Fund dipped below the budgeted amount by \$684,505; however, once the unspent bond proceeds in the amount of \$28,967, 174 from the current year medium-term financing are removed (because they are not an available resource for general operations), the amount expended in excess of the budget appropriations is \$29,651,679.

*Cause:* Controls over adhering to the NRS budget requirements were not properly implemented to prevent material noncompliance from occurring.

*Effect:* The District is in material noncompliance with the NRS budget requirements identified above.

*Recommendation:* We recommend management revisit the District’s process for monitoring, amending, and augmenting its final budget.

*Views of Responsible Officials:* Agree



## Example 1

### AUDITOR'S COMMENTS

The Board of Trustees of the

In connection with our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the [REDACTED] School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, except as identified in the Schedule of Findings and Questioned Costs, nothing came to our attention that caused us to believe that [REDACTED] School District failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

#### CURRENT YEAR STATUTE COMPLIANCE

The [REDACTED] School District conformed to all significant statutory constraints on its financial administration during the year except for those items identified in Note 11 of the accompanying financial statements.

# Example 1

MAJOR FUND - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
<b>REVENUES</b>				
Local sources:				
Local school support tax	\$ 943,800,000	\$ 948,930,571	\$ 5,130,571	\$ 914,035,783
Property taxes	437,540,000	442,399,386	4,859,386	430,830,444
Governmental services tax	63,600,000	62,610,971	(989,029)	59,507,639
Two percent franchise tax	3,000,000	3,386,039	386,039	2,856,294
E-rate reimbursements	2,500,000	3,136,352	636,352	2,965,561
Local government taxes	1,400,000	1,070,615	(329,385)	2,266,355
Tuition and summer school fees	3,195,000	2,869,916	(325,084)	5,310,723
Adult education	100,000	125,000	25,000	100,000
Athletic proceeds	1,300,000	1,195,740	(104,260)	1,234,544
Rental of facilities	1,600,000	1,598,910	(1,090)	1,600,885
Donations and grants	5,775,000	6,360,247	585,247	6,012,738
Other local sources	8,090,000	8,750,107	660,107	13,021,768
Investment income	1,412,000	1,008,688	(403,312)	1,426,082
Total local sources	1,473,312,000	1,483,442,542	10,130,542	1,441,168,816
State sources:				
State distributive fund	617,570,000	594,241,240	(23,328,760)	618,990,946
Federal sources:				
Federal impact aid	100,000	107,023	7,023	71,349
Forest reserve	100,000	10,599	(89,401)	86,050
Administrative claiming	1,250,000	3,954,698	2,704,698	-
Total federal sources	1,450,000	4,072,320	2,622,320	157,399
<b>TOTAL REVENUES</b>	<b>2,092,332,000</b>	<b>2,081,756,102</b>	<b>(10,575,898)</b>	<b>2,060,317,161</b>
<b>EXPENDITURES</b>				
Current:				
REGULAR PROGRAMS				
Instruction:				
Salaries	646,572,779	646,191,980	380,799	640,417,160
Benefits	255,583,835	255,442,505	141,330	254,693,089
Purchased services	6,590,241	6,484,457	105,784	9,415,317
Supplies	40,030,657	39,595,009	435,648	37,968,964
Property	366,000	340,850	25,150	556,347
Other	1,202,174	1,195,925	6,249	655,194
Total instruction	950,345,686	949,250,726	1,094,960	943,706,071
Support services:				
Student transportation:				
Purchased services	1,530,575	1,523,432	7,143	1,431,507
Supplies	5,261	3,177	2,084	4,406
Other	500	317	183	690
Total student transportation	1,536,336	1,526,926	9,410	1,436,603

(Continued)

## Example 1

MAJOR FUND - GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE BUDGET (GAAP BASIS) AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES - Continued				
Other support services:				
Salaries	\$ 24,076,995	\$ 23,557,368	\$ 519,627	\$ 23,596,433
Benefits	10,126,549	9,839,418	287,131	9,821,007
Purchased services	952,891	945,462	7,429	825,516
Supplies	2,150,636	2,099,334	51,302	1,793,475
Other	467,023	465,720	1,303	385,475
Total other support services	37,774,094	36,907,302	866,792	36,421,906
Total support services	39,310,430	38,434,228	876,202	37,858,509
TOTAL REGULAR PROGRAMS	989,656,116	987,684,954	1,971,162	981,564,580
SPECIAL PROGRAMS				
Instruction:				
Salaries	1,593,176	1,505,639	87,537	885,187
Benefits	688,453	632,966	55,487	380,224
Purchased services	26,500	5,875	20,625	7,896
Supplies	72,219	46,267	25,952	37,458
Other	500	393	107	1,305
Total instruction	2,380,848	2,191,140	189,708	1,312,070
Other support services:				
Salaries	50,000	22,064	27,936	21,495
Benefits	5,000	494	4,506	1,066
Purchased services	46,054	40,291	5,763	91,839
Supplies	207,420	160,438	46,982	131,271
Property	15,000	11,997	3,003	-
Total support services	323,474	235,284	88,190	245,671
TOTAL SPECIAL PROGRAMS	2,704,322	2,426,424	277,898	1,557,741
GIFTED AND TALENTED PROGRAMS				
Instruction:				
Salaries	7,946,923	7,657,973	288,950	6,916,686
Benefits	3,334,633	3,040,816	293,817	2,795,710
Supplies	9,370	4,953	4,417	-
Total instruction	11,290,926	10,703,742	587,184	9,712,396
Support services:				
Other support services:				
Salaries	236,280	232,000	4,280	171,610
Benefits	81,143	79,791	1,352	46,151
Purchased services	12,800	10,517	2,283	407
Supplies	42,830	41,082	1,748	18,316
Other	500	278	222	-
Total support services	373,553	363,668	9,885	236,484
TOTAL GIFTED AND TALENTED PROGRAMS	11,664,479	11,067,410	597,069	9,948,880

(Continued)

# Example 1

Financial Section

MAJOR FUND - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES - Continued				
VOCATIONAL PROGRAMS				
Instruction:				
Salaries	\$ 2,169,880	\$ 1,719,597	\$ 450,283	\$ 2,269,634
Benefits	725,500	421,930	303,570	510,489
Purchased services	262,412	239,339	23,073	393,463
Supplies	2,003,355	1,915,086	88,269	1,960,133
Other	50,000	40,389	9,611	276,624
Total instruction	5,211,147	4,336,341	874,806	5,410,343
Support services:				
Student transportation:				
Purchased services	28,144	23,991	4,153	30,833
Other support services:				
Salaries	782,286	742,643	39,643	650,098
Benefits	287,474	286,634	840	242,244
Purchased services	215,929	213,877	2,052	262,964
Supplies	333,675	291,675	42,000	117,119
Other	455,000	437,404	17,596	85,766
Total other support services	2,074,364	1,972,233	102,131	1,358,191
Total support services	2,102,508	1,996,224	106,284	1,389,024
TOTAL VOCATIONAL PROGRAMS	7,313,655	6,332,565	981,090	6,799,367
OTHER INSTRUCTIONAL PROGRAMS				
School co-curricular activities:				
Instruction:				
Salaries	1,765,549	1,745,984	19,565	1,665,681
Benefits	686,774	660,705	26,069	651,951
Purchased services	3,618,152	3,591,871	26,281	3,712,160
Supplies	1,817,916	1,775,914	42,002	1,867,477
Property	10,000	5,137	4,863	26,881
Other	252,754	234,256	18,498	171,125
Total instruction	8,151,145	8,013,867	137,278	8,095,275
Support services:				
Student transportation:				
Purchased services	1,719,810	1,663,366	56,444	1,695,860
Other support services:				
Salaries	3,535,303	3,144,971	390,332	1,894,457
Benefits	958,764	864,799	93,965	397,932
Purchased services	374,576	322,676	51,900	355,486
Supplies	400,784	379,371	21,413	210,955
Other	76,200	75,597	603	74,159
Total other support services	5,345,627	4,787,414	558,213	2,932,989
Total support services	7,065,437	6,450,780	614,657	4,628,849

(Continued)

# Example 1

MAJOR FUND - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES - Continued				
Total school co-curricular activities	\$ 15,216,582	\$ 14,464,647	\$ 751,935	\$ 12,724,124
Summer school:				
Instruction:				
Salaries	1,602,941	1,501,771	101,170	1,469,320
Benefits	46,721	34,778	11,943	32,191
Supplies	51,370	10,358	41,012	26,217
Other	25,000	24,954	46	4,488
Total instruction	1,726,032	1,571,861	154,171	1,532,216
Other support services:				
Salaries	293,343	202,202	91,141	321,313
Benefits	6,749	4,593	2,156	7,538
Total support services	300,092	206,795	93,297	328,851
Total summer school	2,026,124	1,778,656	247,468	1,861,067
English language learners:				
Instruction:				
Salaries	832,532	613,734	218,798	492,951
Benefits	365,388	257,667	107,721	208,718
Purchased services	150,000	119,590	30,410	76,880
Supplies	168,953	71,811	97,142	137,468
Other	5,000	2,340	2,660	-
Total instruction	1,521,873	1,065,142	456,731	916,017
Support services:				
Purchased services	2,000	880	1,120	690
Other support services:				
Salaries	5,207,662	5,088,344	119,318	4,400,271
Benefits	2,083,351	2,042,090	41,261	1,785,868
Purchased services	1,706,076	1,690,312	15,764	3,152,729
Supplies	229,934	150,869	79,065	229,894
Other	10,589	8,342	2,247	3,270
Total other support services	9,237,612	8,979,957	257,655	9,572,032
Total support services	9,239,612	8,980,837	258,775	9,572,722
Total english language learners	10,761,485	10,045,979	715,506	10,488,739
Alternative education:				
Instruction:				
Salaries	9,020,677	8,877,053	143,624	9,681,321
Benefits	2,907,817	2,889,970	17,847	3,321,023
Purchased services	87,164	75,914	11,250	97,288
Supplies	441,926	397,453	44,473	611,640
Property	-	-	-	27,575
Other	23,000	21,146	1,854	8,717

(Continued)

# Example 1

Financial Section

MAJOR FUND - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES - Continued				
Total instruction	\$ 12,480,584	\$ 12,261,536	\$ 219,048	\$ 13,747,564
Support services:				
Student transportation:				
Purchased services	2,000	120	1,880	340
Other support services:				
Salaries	4,675,139	4,469,865	205,274	5,256,836
Benefits	1,997,512	1,870,749	126,763	2,190,800
Purchased services	568,675	557,001	11,674	1,866,708
Supplies	43,720	8,387	35,333	8,781
Other	33,832	30,500	3,332	4,975
Total other support services	7,318,878	6,936,502	382,376	9,328,100
Total support services	7,320,878	6,936,622	384,256	9,328,440
Total alternative education	19,801,462	19,198,158	603,304	23,076,004
TOTAL OTHER INSTRUCTIONAL PROGRAMS	47,805,653	45,487,440	2,318,213	48,149,934
ADULT EDUCATION PROGRAMS				
Instruction:				
Supplies	210,175	209,750	425	57,824
Other support services:				
Salaries	119,260	85,660	33,600	83,304
Benefits	36,975	34,032	2,943	33,944
Purchased services	93,022	73,737	19,285	54,747
Supplies	-	-	-	18,700
Total support services	249,257	193,429	55,828	190,695
TOTAL ADULT EDUCATION PROGRAMS	459,432	403,179	56,253	248,519
UNDISTRIBUTED EXPENDITURES				
Support services:				
Student support:				
Salaries	58,226,345	58,159,367	66,978	57,152,041
Benefits	24,827,298	24,782,025	45,273	24,368,010
Purchased services	32,995	22,671	10,324	20,827
Supplies	246,281	242,947	3,334	236,821
Other	12,600	7,182	5,418	6,771
Total student support	83,345,519	83,214,192	131,327	81,784,470
Instructional staff support:				
Salaries	23,877,896	23,870,375	7,521	27,535,753
Benefits	9,739,622	9,676,572	63,050	10,804,996
Purchased services	5,246,771	5,166,620	80,151	5,980,242
Supplies	5,940,144	5,929,929	10,215	10,029,873
Property	150,000	149,178	822	221,781
Other	646,934	645,087	1,847	580,624

(Continued)

# Example 1

MAJOR FUND - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES - Continued				
Total instructional staff support	\$ 45,601,367	\$ 45,437,761	\$ 163,606	\$ 55,153,269
General administration:				
Salaries	7,947,552	10,313,810	(2,366,258)	10,471,084
Benefits	3,315,506	3,904,797	(589,291)	3,856,477
Purchased services	17,705,306	17,686,986	18,320	15,091,593
Supplies	545,556	544,303	1,253	619,115
Property	-	-	-	24,251
Other	139,435	128,323	11,112	166,270
Total general administration	29,653,355	32,578,219	(2,924,864)	30,228,790
School administration:				
Salaries	132,059,745	143,415,365	(11,355,620)	135,804,031
Benefits	58,138,469	61,509,198	(3,370,729)	57,770,262
Purchased services	861,110	609,288	251,822	697,487
Supplies	392,166	281,322	110,844	332,725
Other	5,000	2,474	2,526	9,050
Total school administration	191,456,490	205,817,647	(14,361,157)	194,613,555
Central services:				
Salaries	31,769,929	31,769,673	256	30,775,035
Benefits	13,406,292	13,404,855	1,437	13,228,285
Purchased services	9,116,837	9,105,142	11,695	10,349,868
Supplies	1,866,798	1,851,608	15,190	251,103
Property	3,961,998	3,929,748	32,250	398,041
Other	501,905	470,723	31,182	481,789
Total central services	60,623,759	60,531,749	92,010	55,484,121
Operation and maintenance of plant services:				
Salaries	110,544,369	110,541,980	2,389	111,051,817
Benefits	51,146,100	51,141,620	4,480	50,646,139
Purchased services	36,337,330	36,309,747	27,583	33,851,882
Supplies	60,926,137	60,916,368	9,769	63,834,640
Property	4,522,510	4,511,639	10,871	1,089,602
Other	222,030	220,196	1,834	450,598
Total operation and maintenance of plant services	263,698,476	263,641,550	56,926	260,924,678
Student transportation:				
Salaries	27,914,655	27,614,880	299,775	25,721,829
Benefits	14,525,555	14,280,818	244,737	13,418,058
Purchased services	1,542,976	1,507,918	35,058	1,007,585
Supplies	6,620,407	6,545,365	75,042	6,497,754
Property	33,031,240	4,102,076	28,929,164	31,004,272
Other	71,554	32,176	39,378	28,898
Total student transportation	83,706,387	54,083,233	29,623,154	77,678,396



# Example 1

Financial Section

MAJOR FUND - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

Schedule A-2

	2017			2016
	Budget	Actual	Variance- Positive (Negative)	Actual
EXPENDITURES - Continued				
Capital outlay:				
Facilities acquisition and construction services:				
Building improvements:				
Purchased services	\$ 800,000	\$ 138,182	\$ 661,818	\$ 377
Supplies	186,162	436	185,726	-
Total facilities acquisition and construction services	986,162	138,618	847,544	377
TOTAL UNDISTRIBUTED EXPENDITURES	759,071,515	745,442,969	13,628,546	755,867,656
TOTAL EXPENDITURES	1,818,675,172	1,798,844,941	19,830,231	1,804,136,677
EXCESS OF REVENUES OVER EXPENDITURES	273,656,828	282,911,161	9,254,333	256,180,484
OTHER FINANCING SOURCES (USES)				
Transfers out	(334,537,027)	(344,543,408)	(10,006,381)	(329,700,035)
General obligation bonds issued	28,245,000	29,935,000	1,690,000	33,470,000
Premiums on general obligation bonds	3,800,000	2,177,543	(1,622,457)	6,260,281
TOTAL OTHER FINANCING SOURCES (USES)	(302,492,027)	(312,430,865)	(9,938,838)	(289,969,754)
NET CHANGE IN FUND BALANCE	(28,835,199)	(29,519,704)	(684,505)	(33,789,270)
FUND BALANCE, JULY 1	71,835,199	71,835,199	-	105,624,469
FUND BALANCE, JUNE 30	<u>\$ 43,000,000</u>	<u>\$ 42,315,495</u>	<u>\$ (684,505)</u>	<u>\$ 71,835,199</u>

## Example 2

### *Expenditures in Excess of Appropriations (continued)*

Fund Functions in the Special Revenue and Capital Projects Funds:	
Museum – Culture and Recreation (10214)	\$ 1,712
Public Safety Sales Tax Distribution – Intergovernmental (10233)	\$ 48,181
County Special Ad Valorem – Intergovernmental (10402)	\$ 8,065
Funds in the Enterprise Funds:	
Sewer Utility Enterprise Fund (23503)	\$ 6,153

*Museum Special Revenue Fund* - The Fund expenditures were higher than anticipated for salaries and benefits due to payments made for sick and annual leave to a retiring employee in the amount of \$4,511.

*Public Safety Sales Tax Distribution* - The Distribution fund is used to account for public safety tax received and distributed to towns within [REDACTED]. Although this was a distribution of money to the local governments that have responsibility for the expenditure of the money, the budget for intergovernmental payments to the Towns was not adequate, causing the budget violation. Receipts were in excess of anticipated revenues by \$188,317 causing the distributions from the fund to be in excess of the authorized budget.

*County Special Ad Valorem Capital Projects Fund* - Statute requires the fund to distribute to towns within the county a portion of the tax collected. The budget for the fund was prepared without an intergovernmental function. Expenditures within the fund were all budgeted as capital outlay. The fund in total was not overspent. However, the intergovernmental function representing the distribution to towns within the County was overspent.

*Sewer Utility Enterprise Fund* - The expenses in excess of budget for the Enterprise Fund was due to depreciation expense being higher than anticipated. Nevada Administrative Code 354.481 indicates that expenses charged to an enterprise in excess of the original budget appropriation are allowable and are not a violation if the expenses do not cause a deficit in the equity balance of the fund and the budget is adjusted in a manner provided by law. The excess expenses did not cause a deficit in the fund. However, a report of augmentation of the budget of the fund was not presented to the Commission and included in the County's quarterly report filed with the Department of Taxation (NRS 354.598005(4)).

## Example 2

### AUDITOR'S COMMENTS

Honorable Board of County Commissioners

In connection with my audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of [REDACTED], Nevada (the County) as of and for the year ended June 30, 2017, and the related notes to the basic financial statements, nothing came to my attention that caused us to believe that the County failed to comply with the specific requirements of Nevada Revised Statutes referenced below insofar as they relate to accounting matters, except as noted below. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly had I performed additional procedures, other matters may have come to my attention regarding the County's noncompliance with the requirements of Nevada Revised Statutes noted below, insofar as they relate to accounting matters.

### CURRENT YEAR RECOMMENDATIONS

Comments are noted on pages 309-310.

### PRIOR YEAR RECOMMENDATIONS

There were no prior year comments.

### CURRENT YEAR STATUTE COMPLIANCE

#### *Deficit Fund Balance/Net Position*

The following funds had a deficit fund balance/net position at year-end:

[REDACTED] Ambulance Fund	\$ 1,376,107
Building Department Special Revenue Fund	\$ 45,308

*Ambulance Fund* - The deficit net position of the Ambulance Fund is due to GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, which requires the County to record its proportionate share of the net pension liability of the Public Employees' Retirement System of the State of Nevada.

*Building Department Special Revenue Fund* - The deficit fund balance is due to a shortfall of anticipated revenue.

#### *Expenditures in Excess of Appropriations*

The County is required to report expenditures that exceeded budgeted appropriations at the function level for the General Fund, Special Revenue Funds, and Capital Project Funds. Enterprise funds may not exceed budget appropriations at the fund level. For the year ending June 30, 2017, the following functions exceeded budget appropriations:

SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS

June 30, 2017

**FINDINGS – FINANCIAL STATEMENTS AUDIT  
SIGNIFICANT DEFICIENCIES  
INTERNAL CONTROL OVER FINANCIAL REPORTING**  
None

**FINDINGS – FINANCIAL STATEMENTS AUDIT  
COMPLIANCE AND OTHER MATTERS  
REPORTABLE INSTANCE OF NONCOMPLIANCE**

**FINDING NO. 2016-001**

*Statement of Condition:* Audited financial statements were not approved by the Board of Directors or submitted to the State of Nevada Department of Taxation until May 2017.

*Criteria:* NRS 354.624(1) requires that “each local government shall provide for an annual audit of its financial statements” and that the audit report be “submitted to the governing body not later than 5 months after the close of the fiscal year for which the audit is conducted”.

*Effect of Condition:* Failure to submit the audit report to the Board of Directors and subsequently to the State of Nevada Department of Taxation, could result in the Department of Taxation failing to approve their annual budget, levying fines, or pursuing legal remedies.

*Cause of Condition:* The Authority’s Administrator did not complete the reconciliation of the accounting records in a timely manner sufficient to allow for a timely completion of the audit.

*Recommendations:* The Administrator should endeavor to reconcile the accounting records in a timelier manner.

*Comments:* The Authority agrees with the finding and will endeavor to complete the year end reconciliation of the accounting records in a timely manner.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

**FINDINGS – FINANCIAL STATEMENTS AUDIT  
SIGNIFICANT DEFICIENCIES  
INTERNAL CONTROL OVER FINANCIAL REPORTING**  
None

**FINDINGS – FINANCIAL STATEMENTS AUDIT  
COMPLIANCE AND OTHER MATTERS  
REPORTABLE INSTANCE OF NONCOMPLIANCE**

**FINDING NO. 2017-001**

*Statement of Condition:* Audited financial statements were not approved by the Board of Directors or submitted to the State of Nevada Department of Taxation until late December 2017.

*Criteria:* NRS 354.624(1) requires that “each local government shall provide for an annual audit of its financial statements” and that the audit report be “submitted to the governing body not later than 5 months after the close of the fiscal year for which the audit is conducted”.

*Effect of Condition:* Failure to submit the audit report to the Board of Directors and subsequently to the State of Nevada Department of Taxation, could result in the Department of Taxation failing to approve their annual budget, levying fines, or pursuing legal remedies.

*Cause of Condition:* The Authority’s Administrator did not complete the reconciliation of the accounting records in a timely manner sufficient to allow for a timely completion of the audit.

*Recommendations:* The Administrator should endeavor to reconcile the accounting records in a timelier manner.

*Comments:* The Authority agrees with the finding and will endeavor to complete the year end reconciliation of the accounting records in a timely manner.

### Example 3

January 10, 2018

Re: Annual Audit Report Fiscal Year 2016-2017

Dear :

Pursuant to NRS 354.6245, the Department of Taxation is charged with the review of all annual audits to determine their compliance with statutes and/or regulations. The department must also identify all violations of statute and/or regulations reported therein.

In our review of your audit we identify a violation of NRS 354.624 as noted by your auditor on page 36 of the Schedule of Findings and Questioned Costs within the audit report. The Authority failed to provide the required documentation to the auditor in order for the timely completion and submission of the audit to the governing body no later than five months after the close of the fiscal year. The Department does note however that the filing requirement to the Department was ultimately achieved due to the cooperation of the auditor and administrative authority.

Per NRS 354.6245, within 60 days after delivery of the annual audit to the local government, the governing body shall advise the department what action has been taken to prevent recurrence of violation of law or regulation and to correct each continuing violation. As well, each *governing body* (per NAC 354.721) shall submit with its proposed plan of correction a statement of the date on which it reviewed and approved the plan for submission to the Department. Please provide this documentation to the Department as soon as possible, however no later than January 31, 2018.

If you have any questions please call me at (775) 684-2077 or e-mail at [kgransbery@tax.state.nv.us](mailto:kgransbery@tax.state.nv.us).

Sincerely,

## Example 4

November 18, 2017

Ms. Kelly S. Langley, Supervisor  
State of Nevada Department of Taxation  
Division of Local Government Services  
1550 E. College Parkway, Suite #115  
Carson City, NV 89006-7937

Dear Ms. Langley:

The purpose of this letter, pursuant to NAC 354.735, is to request an extension of time for [REDACTED] to provide its annual audited financial statements in accordance with NRS 354.624. Specifically, both the City and [REDACTED] are continuing to complete the audit. Although due care has been exercised, and we are making every effort to have the CAFR completed by the end of November, presentation of the CAFR will not be able to be given to Council until the December 20<sup>th</sup> meeting. As such, the City requests an extension of time for the following entities:

Again, it is expected the financial statements will be presented to the City Council, no later than the December 20<sup>th</sup> meeting. Two hard copies of the City's financial statements will be mailed to the Department of Taxation the day following presentation to the City Council.

If you have any questions or require additional information, please do not hesitate to contact me (702) 633-1460, extension 3630.

Thank you.