

# NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS

(NRS 209.4817)



**Monday, October 22, 2012  
2:00 p.m.**

*Grant Sawyer State Office Building  
555 East Washington Avenue  
Las Vegas, Nevada  
Room 4401*

*Videoconference to:*

Legislative Building  
Room 3137  
401 South Carson Street  
Carson City, Nevada

Great Basin College  
Greenhaw Technical Arts  
Room 124  
1500 College Parkway  
Elko, Nevada

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE COMMISSION (775) 684-6800  
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Rick Combs, *Director, Secretary*

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**\*\*REVISED\*\***  
**MEETING NOTICE AND AGENDA**

Name of Organization: NEVADA LEGISLATURE'S INTERIM FINANCE  
COMMITTEE'S COMMITTEE ON INDUSTRIAL  
PROGRAMS (NRS 209.4817)

Date and Time of Meeting: Monday, October 22, 2012 – 2:00 p.m.

Place of Meeting: Grant Sawyer State Office Building  
Room 4401  
555 East Washington Avenue  
Las Vegas, Nevada

Note: Some members of the committee may be attending the meeting and other persons may observe the meeting and provide testimony through a simultaneous videoconference conducted at the following locations:

Legislative Building  
Room 3137  
401 South Carson Street  
Carson City, Nevada

Great Basin College  
Greenhaw Technical Arts Building  
Room 124  
1500 College Parkway  
Elko, Nevada

*If you cannot attend the meeting, you can listen to it live over the Internet. The address for the legislative Web site is <http://www.leg.state.nv.us>. For audio broadcasts, click on the link "Listen to Meetings Live on the Internet."*

**Note: Please provide the secretary with electronic or written copies of testimony and visual presentations if you wish to have complete versions included as exhibits with the minutes.**

**A G E N D A**

**Note: Items on this agenda may be taken in a different order than listed. Two or more agenda items may be combined for consideration. An item may be removed from this agenda or discussion relating to an item on this agenda may be delayed at any time.**

**A period of public comment will be allowed after discussion of each action item on the agenda but before voting on the item. (Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers.)**

I. ROLL CALL.

*For  
Possible  
Action*

II. OVERVIEW OF THE COMMITTEE ON INDUSTRIAL PROGRAMS' STATUTORY AUTHORITY AND DUTIES PURSUANT TO NRS 209.4818.

*For  
Possible  
Action*

III. DISCUSSION AND COMMITTEE RECOMMENDATIONS REGARDING THE CONSTRUCTION AND OPERATION OF A NEW RECYCLING FACILITY IN, OR ADJACENT TO, SOUTHERN DESERT CORRECTIONAL CENTER.

*For  
Possible  
Action*

IV. STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE RECOMMENDATIONS REGARDING ALPINE STEEL.

*For  
Possible  
Action*

V. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE YEAR ENDING JUNE 30, 2012.

*For  
Possible  
Action*

VI. DISCUSSION OF OTHER POTENTIAL PRISON INDUSTRY PROGRAMS AND COMMITTEE RECOMMENDATIONS (NRS 209.4818).

VII. PUBLIC COMMENT.

(Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers.)

VIII. ADJOURNMENT.

Note: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Fiscal Division of the Legislative Counsel Bureau, in writing, at the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701-4747, or call Cheryl Harvey, Management Assistant at (775) 684-6872 as soon as possible.

Notice of this meeting was posted in the following Carson City, Nevada, locations: Blasdel Building, 209 East Musser Street; Capitol Press Corps, Basement, Capitol Building; City Hall, 201 North Carson Street; Legislative Building, 401 South Carson Street; and Nevada State Library, 100 Stewart Street. Notice of this meeting was faxed for posting to the following Las Vegas, Nevada, locations: Clark County Office, 500 South Grand Central Parkway; and Grant Sawyer State Office Building, 555 East Washington Avenue. Notice of the meeting was faxed or e-mailed for posting to the following Elko, Nevada location: Great Basin College, 1500 College Parkway. Notice of this meeting was posted on the Internet through the Nevada Legislature's Web site at [www.leg.state.nv.us](http://www.leg.state.nv.us).

**OVERVIEW OF THE COMMITTEE ON INDUSTRIAL PROGRAMS'  
STATUTORY AUTHORITY AND DUTIES PURSUANT TO NRS 209.4818.**



**NRS 209.4818 Committee on Industrial Programs: Duties.**

1. The Committee on Industrial Programs shall:

- (a) Be informed on issues and developments relating to industrial programs for correctional institutions;
- (b) Submit a semiannual report to the Interim Finance Committee before July 1 and December 1 of each year on the status of current and proposed industrial programs for correctional institutions;
- (c) Report to the Legislature on any other matter relating to industrial programs for correctional institutions that it deems appropriate;
- (d) Meet at least quarterly and at the call of the Chair to review the operation of current and proposed industrial programs;
- (e) Recommend three persons to the Director for appointment as the Deputy Director for Industrial Programs whenever a vacancy exists;
- (f) Before any new industrial program is established by the Director in an institution of the Department, review the proposed program for compliance with the requirements of subsections 2, 3 and 4 of [NRS 209.461](#) and submit to the Director its recommendations concerning the proposed program; and
- (g) Review each industry program established pursuant to subsection 2 of [NRS 209.461](#) to determine whether the program is operating profitably within 3 years after its establishment. If the Committee determines that a program is not operating profitably within 3 years after its establishment, the Committee shall report its finding to the Director with a recommendation regarding whether the program should be continued or terminated.

2. Upon the request of the Committee on Industrial Programs, the Director and the Deputy Director for Industrial Programs shall provide to the Committee any information that the Committee determines is relevant to the performance of the duties of the Committee.

(Added to NRS by [2001, 2391](#); A [2007, 68](#))

**NRS 209.461 Duties and powers of Director; requirements for programs for employment of offenders.**

1. The Director shall:

- (a) To the greatest extent possible, approximate the normal conditions of training and employment in the community.
- (b) Except as otherwise provided in this section, to the extent practicable, require each offender, except those whose behavior is found by the Director to preclude participation, to spend 40 hours each week in vocational training or employment, unless excused for a medical reason or to attend educational classes in accordance with [NRS 209.396](#). The Director shall require as a condition of employment that an offender sign an authorization for the deductions from his or her wages made pursuant to [NRS 209.463](#). Authorization to make the deductions pursuant to [NRS 209.463](#) is implied from the employment of an offender and a signed authorization from the offender is not required for the Director to make the deductions pursuant to [NRS 209.463](#).
- (c) Use the earnings from services and manufacturing conducted by the institutions and the money paid by private employers who employ the offenders to offset the costs of operating the prison system and to provide wages for the offenders being trained or employed.

- (d) Provide equipment, space and management for services and manufacturing by offenders.
  - (e) Employ craftsmen and other personnel to supervise and instruct offenders.
  - (f) Contract with governmental agencies and private employers for the employment of offenders, including their employment on public works projects under contracts with the State and with local governments.
  - (g) Contract for the use of offenders' services and for the sale of goods manufactured by offenders.
2. Every program for the employment of offenders established by the Director must:
- (a) Employ the maximum number of offenders possible;
  - (b) Except as otherwise provided in [NRS 209.192](#), provide for the use of money produced by the program to reduce the cost of maintaining the offenders in the institutions;
  - (c) Have an insignificant effect on the number of jobs available to the residents of this State; and
  - (d) Provide occupational training for offenders.
3. An offender may not engage in vocational training, employment or a business that requires or permits the offender to:
- (a) Telemarket or conduct opinion polls by telephone; or
  - (b) Acquire, review, use or have control over or access to personal information concerning any person who is not incarcerated.
4. Each fiscal year, the cumulative profits and losses, if any, of the programs for the employment of offenders established by the Director must result in a profit for the Department. The following must not be included in determining whether there is a profit for the Department:
- (a) Fees credited to the Fund for Prison Industries pursuant to [NRS 482.268](#), any revenue collected by the Department for the leasing of space, facilities or equipment within the institutions or facilities of the Department, and any interest or income earned on the money in the Fund for Prison Industries.
  - (b) The selling expenses of the Central Administrative Office of the programs for the employment of offenders. As used in this paragraph, "selling expenses" means delivery expenses, salaries of sales personnel and related payroll taxes and costs, the costs of advertising and the costs of display models.
  - (c) The general and administrative expenses of the Central Administrative Office of the programs for the employment of offenders. As used in this paragraph, "general and administrative expenses" means the salary of the Deputy Director of Industrial Programs and the salaries of any other personnel of the Central Administrative Office and related payroll taxes and costs, the costs of telephone usage, and the costs of office supplies used and postage used.
5. Except as otherwise provided in subsection 3, the Director may, with the approval of the Board:
- (a) Lease spaces and facilities within any institution of the Department to private employers to be used for the vocational training and employment of offenders.
  - (b) Grant to reliable offenders the privilege of leaving institutions or facilities of the Department at certain times for the purpose of vocational training or employment.

6. The provisions of this chapter do not create a right on behalf of the offender to employment or to receive the federal or state minimum wage for any employment and do not establish a basis for any cause of action against the State or its officers or employees for employment of an offender or for payment of the federal or state minimum wage to an offender.

(Added to NRS by 1977, 852; A 1979, 889, 1380; 1981, 733; 1983, 724; 1985, 254, 590, 1897; 1987, 1020; 1989, 551, 2122; 1991, 1586; 1993, 286, 2517; 1995, 2592; [1999, 2712](#); [2001, 378](#); [2007, 67](#))





**DISCUSSION AND COMMITTEE RECOMMENDATIONS REGARDING THE  
CONSTRUCTION AND OPERATION OF A NEW RECYCLING FACILITY IN,  
OR ADJACENT TO, SOUTHERN DESERT CORRECTIONAL CENTER.**



# ***RECYCLE REHABILITATE & RE-ENTER***

**17853 Santiago Blvd Suite 107 Villa Park. Ca 92861 714-998-4721**

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7-16-12

Mr. Brian Connett, Deputy Director  
Silver State Industries  
3955 W. Russell Road  
Las Vegas, NV. 89118

Dear Brian,

Recycle, Rehabilitate, Reenter... We listened carefully to the needs of the Department of Corrections, and how Silver State Industries functions as a major component in the rehabilitation process of the prison population. We got the message!

Providing productive jobs that can be staffed by labor from within the prison system is a proven, effective way to help reduce recidivism. You have given us insights into the developing of skill sets and work disciplines for inmates that has proven to be a very positive factor in the rehabilitation process.

Nevada is undergoing a major change in the improvement of their recycling programs for residences and business. We feel that utilizing the services of Prison Industries to help accomplish that goal is a perfect fit that can produce well over 100 job opportunities for the system once a facility is fully operational. What makes this service need so viable for the program is both the type of work required and the fact that the need for the service is consistent and has a recession resistant long term future.

This program will not require any financial investment from the State, Silver State Industries, or Department of Corrections.

To get the program started, will require us to have an agreement between RR&R and Silver State Industries / Department of Corrections which provides some protection for RR&R in the form of an exclusive agreement that would enable us to invest in bringing the program to fruition, while protecting our investment to achieve that goal. At the same time, we understand the need of Silver State Industries to see progress in the development of the program to bring jobs to the table, and not tie up other opportunities for Prison Industries, should the programs we are working on not materialize.

To provide Silver State Industries with a progress comfort zone, we have developed some benchmarks as part of a three-year term that are achievable, and as discussed, should meet your needs.

Time is of the essence!

The State mandate to increase recycling effectiveness requires action by qualified parties, NOW. The faster we can get interested parties involved, the greater our chances of bringing those jobs to NPI. It is with those thoughts in mind that we offer the following benchmarks and operating scope:

## **Operating Scope:**

Operationally, recyclable material generally consists of beverage cans, bottles, plastic, cardboard, newspapers and such, which will be collected from residences and businesses by our clients. That material would be transported to a designated facility, possibly a prison facility, in which we envision inmate worker labor assisting in the sorting, separation, and preparation for shipment off site destinations.

Upon completion of the above mentioned scope, said materials are shipped to specific processing plants for use in the manufacturing of recycled products.

## **Benchmarks :**

Once a mutually approved and signed contractual agreement between Silver State Industries/ Department of Corrections and RR&R is executed, we will be able to bring forth certain clients to your offices as part of the first project. Our goal in having you meet the prospective clients is to have you become comfortable with their qualifications, and to have them become comfortable with the concept of investing in a system that uses inmate worker labor to achieve their goals. We estimate that we could have our first client meeting scheduled within **30 days** of the signing by both parties of our Letter of Agreement.

After the most appropriate client candidate is selected, the next step is to determine, with both the client and the Silver State Industries / Department of Corrections, the location and logistics of the sorting facility.

We estimate that process will take between 6 to 12 months.

Once the location and logistics are agreed upon, a formal Operating Agreement, including long term leases ,where appropriate, will be completed. Upon completion of the Operating Agreement the costly process of design, permitting, construction and ordering of sorting equipment will commence. When the facility is completed and operational it will then be staffed by inmate worker labor.

We look forward to working with you as the program progresses and would appreciate your support in helping to indoctrinate potential clients in the operating details of the prison labor program.

We have requested our attorneys to develop a draft agreement that incorporates the details of our discussions, requested benchmarks, operating scope, and outline of content herein.

Open communications between us will be mutually beneficial and is our intent to follow that concept.

Sincerely,

*Robert C Maniaci*

***RECYCLE, REHABILITATE, & RE-ENTER***



State of Nevada

County of Clark

Letter of Agreement-DRAFT

This agreement entered into this \_\_\_\_ day of \_\_\_\_\_ 2012 by and between the RR&R LLC, herein after known as RR&R LLC, located at 17853 Santiago Blvd. Suite 107 Villa Park, California 92861 and the State of Nevada Department of Correction /Silver State Industries, hereinafter known as DOC/SSI, located at 3955 W. Russell Road Las Vegas, Nevada 89118

Whereas, RR&R LLC is a duly qualified corporation and able to conduct business in Nevada;

Whereas, DOC/SSI and RR&R LLC are mutually desirous to engage in an exclusive agreement, and to permit RR&R LLC to establish waste related projects in the state of Nevada in conjunction with DOC/SSI.

Whereas, RR&R LLC desires to approach it's respective clients as well as business associates, and lead a professional team to implement waste related projects in the state of Nevada, under all guidelines established by Nevada laws and regulations.

Whereas, DOC/SSI would provide inmate worker labor from Nevada state correctional facilities for the purpose of processing waste related materials to achieve in certain instances sorting, bailing, and recycling objectives.

Now, therefore, the parties hereto agree as follows:

**Operating Scope:**

Recyclable material generally consisting of beverage cans, bottles, plastic, cardboard, newspapers and such, which will be transported to a designated facility, possibly an existing prison facility, where we envision inmate worker labor sorting, separating, and preparing material for transfer off-site. Upon completion of the above mentioned activity, said materials will be shipped to specific off site processing plants for use in manufacturing recycled products.

**Schedule of Benchmarks:**

1) Within 30 days of the execution of this agreement RR&R LLC will schedule appointments with our first client and DOC/SSI.

2) Upon the selection of candidates, that meet with the approval of DOC/SSI, the location and logistics of a sorting facility will be determined by mutual consent by the parties to this agreement.

3) Upon the determination of the above, negotiations would further commence between RR&R LLC and DOC/SSI to establish a mutually acceptable written operating agreement. That document would include the following areas but not limited to:

Land Lease	Non Inmate Management
Construction of certain facilities	Non Inmate Supervision
Equipment provisions	Utilities
Number of Inmates Workers Required	Transportation of Inmate Workers & Costs
Hourly Rates	Number of Correctional Officers required
Security of Operation	

4) Once the location and logistics are agreed upon, the costly process of design, permitting, construction and ordering of sorting equipment will commence. Time frames would be subject to customary building and permitting processes.

It is further agreed by DOC/SSI not to circumvent RR&R LLC with regards to RR&R LLC's clients, by contacting, soliciting, and or engaging in business with said clients, directly and or indirectly, by way of third party, ie, brokers, dealers, agents, salespersons, and future employees of DOC/SSI. All RR&R LLC's clients will be designated in writing by RR&R LLC's and submitted to DOC/SSI prior to introduction as the program progresses.

RR&R LLC will be expending significant time and financial resources associated with and in pursuit of these projects. Therefore, RR&R LLC is provided the right and opportunity to exclusively work with DOC/SSI in implementing waste related projects contemplated by this agreement.

The term of this agreement shall be from the date signed by the parties and shall run for three consecutive years.

Both parties, NIP/ DOC and RR&R LLC represent and warrant to each other that they have full power to enter into this agreement without restriction. This agreement shall not establish an employer/employee relationship between the parties.

All notice located regarding the terms and conditions of this agreement shall be mailed to the following:

DOC/SSI, - 3955 W. Russell Road Las Vegas, Nevada 89118

RR&R LLC, - 17853 Santiago Blvd. Suite 107 Villa Park, California 92

This agreement contains all the terms and conditions agreed upon by the parties, no other understandings, oral or otherwise, regarding the subject matter of this agreement shall be deemed binding.

IN WITNESS WHEREOF the parties have executed this agreement on the first written herein

\_\_\_\_\_  
DATE \_\_\_\_\_  
Brian Connett, Director of Prison Industries , division of Nevada Department of Corrections

\_\_\_\_\_  
DATE \_\_\_\_\_  
Robert C Maniaci, President of RR&R LLC





**STATUS REPORT FROM PRISON INDUSTRIES AND COMMITTEE  
RECOMMENDATIONS REGARDING ALPINE STEEL.**



**Silver State Industries**  
AR Customer Aging by Due Date (Summary)  
Report Date: 10/8/12

		Days Old					Balance	Unapplied	Net Due
Cust ID	Customer Name	0 - 30 09/08 - 10/08	31 - 60 08/09 - 09/07	61 - 90 07/10 - 08/08	91 - 120 06/10 - 07/09	121 + all prior - 06/09			
AA1000	AAA WINDOW SIDING ROOFING	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$274.00)	(\$274.00)
AL1035	ALPINE STEEL	\$24,071.47	\$12,899.20	\$16,585.05	\$13,576.06	\$347,778.11	\$414,909.89	\$0.00	\$414,909.89
BE1045	DENNIS A BENEDICT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$27,500.00)	(\$27,500.00)
BH1025	B&H CONSTRUCTION	\$18,414.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18,414.00	\$0.00	\$18,414.00
BL1040	BYRON BLASCO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$4,448.00)	(\$4,448.00)
BR1040	ROBERT BROWN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$7,000.00)	(\$7,000.00)
BR1043	BRISTLECONE CONVENTION CI	\$252.00	\$0.00	\$0.00	\$0.00	\$0.00	\$252.00	\$0.00	\$252.00
BR1055	DAVID BRIGGS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$20,000.00)	(\$20,000.00)
BR1058	BRIAN MURPHY CONSTRUCTIO	\$2,348.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,348.00	\$0.00	\$2,348.00
BU1020	BUREAU OF LAND MANAGEMEN	\$139,151.88	\$0.00	\$0.00	\$0.00	\$0.00	\$139,151.88	\$0.00	\$139,151.88
BY1005	MARY BYINGTON	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1.42)	(\$1.42)
CA1008	DAIRY FARMERS OF AMERICA	\$844.16	\$0.00	\$0.00	\$0.00	\$0.00	\$844.16	(\$5,383.06)	(\$4,538.90)
CA1017	CARSON FOOTBALL BOOSTER	\$1,200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,200.00	\$0.00	\$1,200.00
CA1020	CARSON CITY SCHOOL DISTRI	\$171.45	\$0.00	\$0.00	\$0.00	\$0.00	\$171.45	\$0.00	\$171.45
CA1025	CARSON JUVENILE CENTER	\$432.00	\$0.00	\$0.00	\$0.00	\$0.00	\$432.00	\$0.00	\$432.00
CA1043	CARSON CITY SHERIFF - SPEC	\$1,404.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,404.00	\$0.00	\$1,404.00
CH1003	MICHAEL CHASE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$4,400.00)	(\$4,400.00)
DA1010	J CHRISTOPHER DAPPER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$15,000.00)	(\$15,000.00)
DE1000	DEC-ART DESIGNS INC	\$114.91	\$0.00	\$0.00	\$0.00	\$0.00	\$114.91	\$0.00	\$114.91
DE1002	BRANDY DECKER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$8,300.00)	(\$8,300.00)
DE1010	DECORATING WITH FABRIC	\$872.61	\$16.10	\$0.00	\$0.00	\$0.00	\$888.71	\$0.00	\$888.71
DI1015	ROBERT DIAMANT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$5,000.00)	(\$5,000.00)
DI1025	DIAMOND MOUNTAIN DISTRIBU	\$54,862.94	\$25,233.93	\$1,622.50	\$0.00	\$0.00	\$81,719.37	\$0.00	\$81,719.37
DI1030	DIVAN, L.L.C.	\$837.17	\$0.00	\$0.00	\$0.00	\$0.00	\$837.17	\$0.00	\$837.17
DO1035	DOUGLAS CO PUBLIC WORKS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$618.00)	(\$618.00)
DU1020	KENNETH DUFFE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$15,000.00)	(\$15,000.00)
DU1025	WILLIE DUNCAN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$10,824.00)	(\$10,824.00)
DY1001	DYNAMIC DRAPERIES INC	\$116.65	\$0.00	\$0.00	\$0.00	\$0.00	\$116.65	\$0.00	\$116.65
EM1006	EMPLOYEES' ASSN- SDCC & HD	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$46.00)	(\$46.00)
EM1008	EMPLOYEES' ASSN	\$144.00	\$0.00	\$0.00	\$0.00	\$0.00	\$144.00	\$0.00	\$144.00
FA1030	FABRI-QUILT, INC.	\$84.04	\$44.10	\$0.00	\$41.07	\$2,738.13	\$2,907.34	\$0.00	\$2,907.34
FE1020	FERGUSON SAFETY PRODUCT	\$5,608.40	\$0.00	\$1,311.73	\$0.00	\$0.00	\$6,920.13	\$0.00	\$6,920.13
FE1025	FERNLEY HIGH SCHOOL	\$402.05	\$0.00	\$0.00	\$0.00	\$0.00	\$402.05	\$0.00	\$402.05
FU1020	FULL CIRCLE COMPOST	\$3,461.60	\$0.00	\$0.00	\$0.00	\$0.00	\$3,461.60	\$0.00	\$3,461.60
FU1030	FUELED BY THE FALLEN	\$57.75	\$0.00	\$3,850.00	\$0.00	\$0.00	\$3,907.75	\$0.00	\$3,907.75
GA1005	SHARLET GABRIEL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$4.25)	(\$4.25)
GA1012	CLYDE GAFENEY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$33.20)	(\$33.20)
GI1020	GIBSON TOOL & SUPPLY	\$119.32	\$0.00	\$0.00	\$0.00	\$0.00	\$119.32	\$0.00	\$119.32
GU1025	RODGER GULMON	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$10,100.60)	(\$10,100.60)

**Silver State Industries**  
**AR Customer Aging by Due Date (Summary)**

Report Date: 10/8/12

Cust ID	Customer Name	Days Old					Balance	Unapplied	Net Due
		0 - 30 09/08 - 10/08	31 - 60 08/09 - 09/07	61 - 90 07/10 - 08/08	91 - 120 06/10 - 07/09	121 + all prior - 06/09			
HE1040	DALE HERTZ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$3,528.00)	(\$3,528.00)
HU1005	RAY HUBBARD	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$15,676.00)	(\$15,676.00)
JA1010	JACOBS TRADING COMPANY	\$115,819.44	\$0.00	\$0.00	\$0.00	\$0.00	\$115,819.44	\$0.00	\$115,819.44
JO1035	ELLIOT JONES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$16,274.00)	(\$16,274.00)
KI1025	THE KID'S ZONE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$24.00)	(\$24.00)
LA8000	LAS VEGAS CHAMBER OF COM	\$527.25	\$0.00	\$0.00	\$0.00	\$0.00	\$527.25	\$0.00	\$527.25
LE1030	DR GEORGE D LEAKS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$23,200.00)	(\$23,200.00)
LI1035	LITTLE SMUDGEZ LLC	\$410.00	\$0.00	\$0.00	\$0.00	\$0.00	\$410.00	\$0.00	\$410.00
LY1002	LYON COUNTY SCHOOL DISTRI	\$1,087.50	\$0.00	\$0.00	\$0.00	\$0.00	\$1,087.50	\$0.00	\$1,087.50
LY1065	LYLES, RICHARD	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$168.00)	(\$168.00)
MO1030	JOSEPH MONZO	\$15.76	\$0.00	\$0.00	\$0.00	\$1,050.53	\$1,066.29	\$0.00	\$1,066.29
MO1032	TIMOTHY MOLLOY	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$19,210.00)	(\$19,210.00)
MO1050	ROBERT MONTES	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,835.00)	(\$1,835.00)
MT1020	M TRUSS & COMPONENTS, LLC	\$190.86	\$0.00	\$0.00	\$0.00	\$0.00	\$190.86	(\$190.86)	\$0.00
OC1000	TIMMY A OCHAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$5,500.00)	(\$5,500.00)
OF1010	HUNGRY MOTHERS/O'FARRELL	\$2,125.11	\$1,217.23	\$0.00	\$0.00	\$0.00	\$3,342.34	\$0.00	\$3,342.34
PA1018	CHRISTOPHER PALMER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$11,850.00)	(\$11,850.00)
PO1018	MARIANNE POOHACHOFF	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$3,790.00)	(\$3,790.00)
PO1050	CHARLES POWELL	\$0.00	\$0.00	\$0.00	\$0.00	\$5,000.00	\$5,000.00	(\$5,000.00)	\$0.00
SC1030	MARK SCHWARTZ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$3,995.00)	(\$3,995.00)
SI1035	GERALD SILVER	\$0.00	\$3,105.00	\$0.00	\$0.00	\$0.00	\$3,105.00	\$0.00	\$3,105.00
SI1040	SINNISTER INK	\$1,581.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,581.00	(\$1,581.00)	\$0.00
SL1020	SLOBOGIN STEEL & CONSTRU	\$3,743.00	\$70.00	\$0.00	\$0.00	\$0.00	\$3,813.00	\$0.00	\$3,813.00
SP1025	BRYON SPRECHER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$3,000.00)	(\$3,000.00)
ST1047	STOREY COUNTY FIRE DEPAR	\$2,414.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,414.00	(\$4,453.00)	(\$2,039.00)
ST1050	HENRY STONE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$6,580.50)	(\$6,580.50)
TA1038	DARWIN TAYLOR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,050.00)	(\$1,050.00)
TU1005	GUY TURNER	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$134.00)	(\$134.00)
UN1001	UNIVERSITY OF NEVADA RENO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$361.35)	(\$361.35)
VA1003	VARIOUS CUSTOMERS-COD	\$5,014.28	\$0.00	\$0.00	\$0.00	\$654.00	\$5,668.28	(\$5,838.78)	(\$170.50)
VI1000	VINYL PRODUCTS	\$198.50	\$6.00	\$0.00	\$0.00	\$0.00	\$204.50	(\$38.00)	\$166.50
VO1005	SCOTT VOKOUN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,500.00)	(\$1,500.00)
WA1002	WASHOE COUNTY SCHOOL DIS	\$1,341.40	\$0.00	\$0.00	\$0.00	\$0.00	\$1,341.40	\$0.00	\$1,341.40
WI1002	WITTENBERG HALL	\$648.00	\$0.00	\$0.00	\$0.00	\$0.00	\$648.00	\$0.00	\$648.00
WO1035	WORLD CLASS EQUINE	\$7,235.52	\$24.20	\$15.35	\$134.45	\$0.00	\$7,409.52	(\$133.10)	\$7,276.42
YY1003	NDOC ADMIN-MEDICAL	\$428.80	\$0.00	\$0.00	\$0.00	\$0.00	\$428.80	\$0.00	\$428.80
YY1020	JEAN CONSERVATION CAMP	\$130.40	\$0.00	\$0.00	\$0.00	\$0.00	\$130.40	\$0.00	\$130.40
YY1021	HIGH DESERT STATE PRISON	\$32,951.21	\$3,482.99	\$0.00	\$0.00	\$0.00	\$36,434.20	\$0.00	\$36,434.20
YY1023	NDOC ADMIN-MILK	\$67,736.40	\$31,504.80	\$0.00	\$0.00	\$0.00	\$99,241.20	(\$99,241.20)	\$0.00

**Silver State Industries**  
AR Customer Aging by Due Date (Summary)  
Report Date: 10/8/12

		Days Old					Balance	Unapplied	Net Due
Cust ID	Customer Name	0 - 30 09/08 - 10/08	31 - 60 08/09 - 09/07	61 - 90 07/10 - 08/08	91 - 120 06/10 - 07/09	121 + all prior - 06/09			
YY1027	LOVELOCK CORR CTR-CANTEEN	\$1,182.10	\$0.00	\$0.00	\$0.00	\$0.00	\$1,182.10	\$0.00	\$1,182.10
YY1029	NO NV CORRECTIONAL CTR	\$2,725.70	\$7,442.64	\$0.00	\$0.00	\$0.00	\$10,168.34	\$0.00	\$10,168.34
YY1036	CARLIN CONSERVATION CMP-C	\$69.00	\$0.00	\$0.00	\$0.00	\$0.00	\$69.00	\$0.00	\$69.00
YY1038	PI STORE/NSP TRADING POST	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$210.00)	(\$210.00)
YY1045	WARM SPRINGS CORRECTIONA	\$74.00	\$0.00	\$0.00	\$0.00	\$0.00	\$74.00	\$0.00	\$74.00
YY1050	PURCHASING - NDOC OFFICE	\$5,018.12	\$0.00	\$0.00	\$0.00	\$0.00	\$5,018.12	\$0.00	\$5,018.12
YY1051	SO DESERT CORR CTR	\$0.00	\$2,294.12	\$0.00	\$0.00	\$0.00	\$2,294.12	\$0.00	\$2,294.12
YY1052	NDOC SOUTHERN ADMINISTRA	\$0.00	\$0.00	\$0.00	\$388.00	\$0.00	\$388.00	\$0.00	\$388.00
YY1056	FMWCC - CANTEEN	\$1,656.35	\$339.50	\$195.25	\$0.00	\$0.00	\$2,191.10	\$0.00	\$2,191.10
YY1058	FLORENCE MCCLURE WOMEN'S	\$2,731.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,731.00	\$0.00	\$2,731.00
YY1064	PIOCHE CON CAMP - CANTEEN	\$167.88	\$0.00	\$0.00	\$0.00	\$0.00	\$167.88	\$0.00	\$167.88
YY1067	STEWART CON CAMP - CANTEEN	\$404.30	\$0.00	\$0.00	\$0.00	\$0.00	\$404.30	\$0.00	\$404.30
YY1072	PI CASA GRANDE STORE	\$72.00	\$0.00	\$0.00	\$0.00	\$0.00	\$72.00	\$0.00	\$72.00
YY1075	WARM SPRINGS CC/CANTEEN	\$186.00	\$0.00	\$0.00	\$0.00	\$0.00	\$186.00	\$0.00	\$186.00
YY1080	SO DESERT CORR CTR/CANTEEN	\$279.00	\$11.25	\$0.00	\$0.00	\$0.00	\$290.25	\$0.00	\$290.25
YY1110	TONOPAH CONSERVATION CAMP	\$63.90	\$0.00	\$0.00	\$0.00	\$0.00	\$63.90	\$0.00	\$63.90
YY1115	WELLS CONSERVATION CANTEEN	\$75.50	\$0.00	\$0.00	\$0.00	\$0.00	\$75.50	\$0.00	\$75.50
YY1120	ELY STATE PRISON CANTEEN	\$67.60	\$0.00	\$0.00	\$0.00	\$0.00	\$67.60	\$0.00	\$67.60
ZZ1006	AGING DIVISION-CARSON CITY	\$797.70	\$0.00	\$0.00	\$0.00	\$0.00	\$797.70	\$0.00	\$797.70
ZZ1039	ECONOMIC DEVELOPMENT	\$112.00	\$0.00	\$0.00	\$0.00	\$0.00	\$112.00	\$0.00	\$112.00
ZZ1089	LEGISLATIVE COUNSEL BUREAU	\$11.25	\$0.00	\$0.00	\$0.00	\$0.00	\$11.25	\$0.00	\$11.25
ZZ1103	MOTOR VEHICLES DEPARTMENT	\$135.00	\$0.00	\$0.00	\$0.00	\$0.00	\$135.00	(\$20,312.50)	(\$20,177.50)
ZZ1134	SUPREME COURT OF NEVADA	\$976.00	\$0.00	\$0.00	\$0.00	\$0.00	\$976.00	\$0.00	\$976.00
ZZ1141	TRANSPORTATION DEPARTMENT	\$362.00	\$0.00	\$0.00	\$0.00	\$0.00	\$362.00	\$0.00	\$362.00
ZZ1203	AGRICULTURE ESTRAY HORSE	\$3,832.50	\$0.00	\$0.00	\$0.00	\$0.00	\$3,832.50	\$0.00	\$3,832.50
ZZ1217	DIVISION OF WILDLIFE	\$0.00	\$358.00	\$0.00	\$0.00	\$0.00	\$358.00	\$0.00	\$358.00
ZZ1300	NEVADA HIGHWAY PATROL	\$0.00	\$0.00	\$0.00	\$0.00	\$250.00	\$250.00	\$0.00	\$250.00
<b>AGING TOTALS:</b>		<b>\$519,567.73</b>	<b>\$88,049.06</b>	<b>\$23,579.88</b>	<b>\$14,139.58</b>	<b>\$357,470.77</b>	<b>\$1,002,807.02</b>	<b>(\$388,606.82)</b>	<b>\$614,200.20</b>
AGING PERCENTAGES:		51.81%	8.78%	2.35%	1.41%	35.65%	100.00%		

TOTAL AGING BALANCE: \$1,002,807.02

TOTAL PAYMENTS ON ACCOUNT: (\$388,606.82)

LEDGER BALANCE: **\$614,200.20**

TOTAL DEPOSITS WITH ORDER: \$0.00

REPORT BALANCE: **\$614,200.20**



**SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2012.**





**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CONSOLIDATED BALANCE SHEETS**

As of June 30, 2012 and 2011

**ASSETS**

<b>Current Assets:</b>	<b>2012</b>	<b>2011</b>
Cash - Unrestricted (Note 1f)		
Prison Industries	\$ 486,317	\$ 774,561
Prison Ranch	474,421	380,278
Total Unrestricted Cash	<u>\$ 960,738</u>	<u>1,154,839</u>
Accounts Receivable	1,011,758	910,409
Less Allowance for Doubtful Accounts	<u>(9,451)</u>	<u>(8,502)</u>
Net Accounts Receivable	1,002,307	901,907
Treasurer's Interest Receivable (Note 12a)	-	241
PI Capital Revenue Receivable (Note 13b)	5,996	6,936
Deposits - Business Licenses (Note 6)	15,000	15,000
Livestock (Notes 1c & 7)	242,030	224,170
Inventories (Notes 1b & 3)	871,129	877,675
Harvested Crops (Note 1c)	<u>245,309</u>	<u>104,991</u>
Total Current Assets	2,381,771	2,130,920
<b>Land, land improvements, property and equipment</b>		
<b>at cost</b> (Note 2)	4,016,161	4,016,161
Less accumulated depreciation	<u>(3,114,381)</u>	<u>(3,002,832)</u>
Net Property and Equipment	901,780	1,013,329
<b>Other Assets:</b>		
Cash - Restricted - PI Capital (Note 1f)	<u>302,623</u>	228,196
Total Other Assets	302,623	228,196
<b>Total Assets</b>	<u><u>\$ 4,546,913</u></u>	<u><u>\$ 4,527,284</u></u>

**LIABILITIES AND CAPITAL BALANCE**

<b>Current Liabilities:</b>		
Accounts Payable (Note 9)	\$ 576,575	\$ 282,709
Unearned Revenue (Note 5)	255,169	293,160
Rent and Other Deposits	10,000	10,000
Wages Payable	63,427	63,139
Accrued Warranties (Note 15)	-	-
Current Accrued Compensated Absences (Note 11)	<u>103,402</u>	<u>106,709</u>
Total Current Liabilities	1,008,573	755,717
<b>Long-Term Liabilities:</b>		
Accrued Compensated Absences (Note 11)	<u>90,943</u>	<u>86,378</u>
Total Long-Term Liabilities	90,943	86,378
Total Liabilities	1,099,516	842,095
<b>Capital:</b>		
Contributed Capital	\$ 2,193,440	2,193,440
Retained Earnings	<u>1,253,957</u>	<u>1,491,749</u>
Total Capital	3,447,397	3,685,189
<b>Total Liabilities and Capital Balance</b>	<u><u>\$ 4,546,913</u></u>	<u><u>\$ 4,527,284</u></u>

The accompanying notes are an integral part of these financial statements.

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(With Interfund Sales Eliminated)  
For the year ending June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenue from Operations:</b>		
<b>Industry Sales</b>	\$ 2,383,146	\$ 2,039,937
Less Cost of Sales	<u>(1,790,716)</u>	<u>(1,561,558)</u>
Gross Profit from Industry sales	\$ 592,430	<u>478,379</u>
<b>Ranch Sales</b>	2,176,034	1,832,882
Less Cost of Sales	<u>(1,799,163)</u>	<u>(1,042,600)</u>
Gross Profit from Ranch sales	<u>376,871</u>	<u>790,282</u>
<b>Industry Freight</b>	11,051	(16,443)
<b>General Manufacturing Expenses:</b>	<u>(1,127,789)</u>	<u>(1,311,215)</u>
<b>Net Income from Operations:</b>	<b>(147,436)</b>	<b>(58,997)</b>
<b>General and Administrative Expenses:</b>	(876,104)	(823,008)
<b>Other Income and Expenses</b>	<u>785,748</u>	<u>800,408</u>
<b>Net Income (Loss)</b>	<b>\$ (237,792)</b>	<b>\$ (81,597)</b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CONSOLIDATED STATEMENTS OF OPERATIONS**

**By Budget Account**

(With Interfund Sales Eliminated)  
For the year ending June 30, 2012 and 2011

**Budget Account 3719 - Prison Industries**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenue from Operations:</b>		
<b>Industry Sales</b>	\$ 2,383,146	\$ 2,039,937
Less Cost of Sales	<u>(1,790,716)</u>	<u>(1,561,558)</u>
Gross Profit from Industry sales	\$ 592,430	478,379
<b>Industry Freight</b>	11,051	(16,443)
<b>Institutional Overhead Expenses:</b>	<u>(610,980)</u>	<u>(758,921)</u>
<b>Net Income from Operations:</b>	<b>(7,499)</b>	<b>(296,985)</b>
<b>General and Administrative Expenses:</b> (Note 16)	(876,104)	(823,008)
<b>Other Income and Expenses</b>	<u>704,768</u>	<u>717,142</u>
<b>Net Income (Loss)</b>	<b><u>\$ (178,835)</u></b>	<b><u>\$ (402,851)</u></b>

**Budget Account 3727 - Prison Ranch**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenue from Operations:</b>		
<b>Ranch Sales</b>	\$ 2,176,034	\$ 1,832,882
Less Cost of Sales	<u>(1,799,163)</u>	<u>(1,042,600)</u>
Gross Profit from Ranch sales	\$ 376,871	790,282
<b>Institutional Overhead Expenses:</b>	(516,809)	(552,294)
<b>Other Income and Expenses</b>	<u>7,530</u>	<u>-</u>
<b>Net Income (Loss)</b>	<b><u>\$ (132,408)</u></b>	<b><u>\$ 237,988</u></b>

**Budget Account 3728 - P I Capital Projects**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenue:</b>		
<b>Inmate Wage Assessments</b>	\$ 73,419	\$ 83,083
<b>Other Income (Interest)</b>	<u>32</u>	<u>184</u>
<b>Net Income (Loss)</b>	<b><u>\$ 73,451</u></b>	<b><u>\$ 83,267</u></b>

The accompanying notes are an integral part of these financial statements.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED EARNINGS**  
For the year ending June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Unreserved Retained Earnings at Beginning of Year</b>	\$ 1,491,749	\$ 1,570,400
Current Period Net Income	(237,792)	(81,597)
Prior Period Adjustment		<u>2,946</u>
<b>Unreserved Retained Earnings at End of Year</b>	1,253,957	1,491,749
<b>Contributed Capital</b>	<u>2,193,440</u>	<u>2,193,440</u>
<b>Total Fund Equity</b>	<u>\$ 3,447,397</u>	<u>\$ 3,685,189</u>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ending June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenue:</b>		
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$ (237,792)	\$ (81,597)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	111,549	82,237
Decrease (Increase) in Accounts Receivable	(100,400)	(272,709)
Decrease (Increase) in Interest Receivable	241	923
Decrease (Increase) in Prepaid Expenses	-	-
Decrease (Increase) in PI Capital Revenue Receivable	940	161
Increase (Decrease) in Deposits	-	-
Decrease (Increase) in Inventories	(151,632)	(24,145)
Increase (Decrease) in Accounts Payable	293,866	78,700
Increase (Decrease) in Unearned Revenue	(37,991)	127,574
Decrease (Increase) in Rent Deposits	-	-
Increase (Decrease) in Wages Payable	288	(12,730)
Increase (Decrease) in Accrued Warranty Liability	-	(9,459)
Increase (Decrease) in Accrued Compensated Absences	1,258	(46,328)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (122,980)</u>	<u>(180,459)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of Equipment		-
<b>Net Cash Used by Investing Activities</b>	<u>-</u>	<u>-</u>
<b>Net Increase in cash</b>	(122,980)	(180,459)
<b>Cash at beginning of year</b>		
Unrestricted	1,154,839	1,367,730
Restricted	<u>228,196</u>	<u>144,591</u>
<b>Cash at end of period</b>		1,512,321
Unrestricted	960,738	1,154,839
Restricted	<u>302,623</u>	<u>228,196</u>
<b>Total Cash at end of period</b>	<u>\$ 1,263,361</u>	<u>\$ 1,383,035</u>

The accompanying notes are an integral part of these financial statements.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CENTRAL ADMINISTRATION**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

Revenue:	<u>June 30, 2012</u>	<u>2011</u>
<b>License Plate Fees</b>	\$ 495,733	\$ 462,759
<b>Capital Improvement</b>	<u>73,419</u>	<u>83,083</u>
<b>Rental Income:</b>		
Vinyl Products	\$ -	16,972
Diamond Mountain Distributors	30,000	25,000
Alpine Steel	30,000	45,000
Jacob's Trading Company	<u>7,200</u>	<u>7,200</u>
Total Rental Income	67,200	<u>94,172</u>
<b>Administrative Fees: (Net of reimbursements)</b>		
Vinyl Products	-	6,383
Shelby North America	-	(72)
Jacob's Trading Company	60,272	43,335
Miscellaneous Programs	3,489	5,416
Diamond Mountain Distributors	4,458	21,915
Alpine Steel	18,075	15,147
Most Wanted	(1,121)	181
Unreimbursable C/O Costs	(39,252)	(35,659)
Prison Ranch	<u>36,000</u>	<u>48,000</u>
Total Administrative Fees	81,921	104,646
Miscellaneous Revenue	<u>9,750</u>	<u>10,535</u>
<b>Total Revenue</b>	<u>\$ 728,023</u>	<u>\$ 755,195</u>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CENTRAL ADMINISTRATION**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

(Continued)

<b>General and Administrative Expenses:</b>	<b>June 30, 2012</b>	<b>2011</b>
Staff Salaries	\$ 416,062	\$ 438,588
Staff Fringe Benefits and other Payroll expenses	174,452	130,353
Travel expenses	6,349	11,039
Rent	53,755	53,021
Miscellaneous Office expenses	3,698	5,746
Telephone	8,405	9,860
Postage and Mailing	1,411	1,364
Advertising/Public Relations	32,734	6,770
General Insurance	6,346	10,833
Vehicle Operating expenses	7,599	5,270
Dues and Subscriptions	3,267	4,632
Depreciation expense	86,579	86,579
Improvements and Small Equipment	1,011	4,266
Bad Debt expense (Note 16)	12,000	-
Utilities	-	238
Miscellaneous expenses	<u>95,871</u>	<u>60,458</u>
<b>Total General and Administrative Expenses</b>	<b>\$ (909,539)</b>	<b>(829,017)</b>
<b>Net Income from Operations</b>	<b>(181,516)</b>	<b>(73,822)</b>
<b>Other Income (expense)</b>		
Interest Revenue	200	1,439
Finance Charges	<u>50,845</u>	<u>37,024</u>
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ (130,471)</b>	<b>\$ (35,359)</b>

The accompanying notes are an integral part of these financial statements.



**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
LCC MATTRESS SHOP**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
<b>Revenue:</b>		
<b>Sales - Mattress</b>	\$ 329,574	\$ 345,754
Less Cost of Sales:		
Direct Labor	\$ 8,503	7,868
Materials	199,725	233,889
Overhead	14,583	15,505
Total Cost of Sales	(222,811)	(257,262)
Gross Profit	106,763	88,492
Freight Revenues	10,499	10,517
Freight Expenses	(7,826)	(11,004)
Freight (Net of Revenues/Expenses)	2,673	(487)
<b>Contribution to G &amp; A expenses - Mattress</b>	<b>\$ 109,436</b>	<b>88,005</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	26,683	27,002
Fringe Benefits and other Payroll expenses	16,102	15,742
Inmate Labor - Office	5,319	7,247
Inmate Workers' Compensation Insurance	451	654
Travel	456	1,534
Miscellaneous Office expenses	2,131	2,240
Telephone	393	301
Postage and Mailing	84	141
Dues and Subscriptions	775	1,250
Utilities	6,942	6,312
Miscellaneous expenses	1,405	1,780
Capitalized Institutional Overhead	129	4,165
Warranty expense	-	-
Total General and Administrative Manufacturing Expenses	(60,870)	(68,368)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ 48,566</b>	<b>\$ 19,637</b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
NNCC PRINTING/BINDERY SHOP**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenue:</b>		
<b>Sales</b>	\$ 452,940	\$ 442,550
Less Cost of Sales:		
Direct Labor	\$ 23,946	43,067
Materials	223,266	238,568
Overhead	36,403	32,649
Total Cost of Sales	(283,615)	(314,284)
Gross Profit	169,325	128,266
Freight Revenues	7,346	22,612
Freight Expenses	(9,110)	(11,780)
Freight (Net of Revenues/Expenses)	(1,764)	10,832
<b>Contribution to G &amp; A expenses</b>	<b>\$ 167,561</b>	<b>139,098</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	64,257	64,062
Fringe Benefits and other Payroll expenses	18,903	18,339
Inmate Labor - Office	8,754	8,571
Inmate Workers' Compensation Insurance	952	1,566
Miscellaneous Office expenses	1,997	1,535
Telephone	375	361
Improvements and Small Equipment	1,003	394
Building & Ground Improvements	14,486	10
Utilities	5,800	2,935
Miscellaneous expenses	1,493	920
Capitalized Institutional Overhead	(306)	811
Warranty expense	-	83
Total General and Administrative Manufacturing Expenses	(118,544)	(99,587)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ 49,017</b>	<b>\$ 39,511</b>

The accompanying notes are an integral part of these financial statements.

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**NNCC FURNITURE AND METAL**  
**Statements of Operations**  
For the year ending June 30, 2012 and 2011

Revenue:	June 30, 2012	June 30, 2011
<b>Sales - Furniture</b>	\$ 535,070	\$ 441,304
Less Cost of Sales:		
Direct Labor	\$ 50,854	33,442
Materials	244,963	221,542
Overhead	77,808	84,097
Total Cost of Sales	(373,625)	(339,081)
Gross Profit	161,445	102,223
Freight Revenues	39,825	23,480
Freight Expenses	(24,761)	(42,497)
Freight (Net of Revenues/Expenses)	15,064	(19,017)
<b>Contribution to G &amp; A expenses</b>	<b>\$ 176,509</b>	<b>83,206</b>
 <b>Sales - Metal</b>	 319,041	 120,852
Less Cost of Sales:		
Direct Labor	57,691	20,048
Materials	189,722	77,990
Overhead	76,918	40,666
Total Cost of Sales	(324,331)	(138,704)
<b>Contribution to G &amp; A expenses</b>	<b>\$ (5,290)</b>	<b>(17,852)</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	43,234	79,645
Fringe Benefits and other Payroll expenses	15,628	26,027
Inmate Labor - Office	40,200	37,348
Inmate Workers' Compensation Insurance	4,609	3,833
Travel	7,086	5,074
Miscellaneous Office expenses	5,946	4,513
Advertising/Public Relations	-	98
Telephone	284	673
Bond Expense	100	200
Dues and Subscriptions	106	139
Improvements and Small Equipment	12,319	4,549
Building & Grounds Improvements	1,602	3,187
Utilities	30,469	31,900
Miscellaneous expenses	10,066	5,327
Capitalized Institutional Overhead	9,465	12,536
Total General and Administrative Manufacturing Expenses	(181,114)	(215,049)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ (9,895)</b>	<b>\$ (149,696)</b>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**SDCC AUTO and Upholstery Shop**  
**Statements of Operations**  
For the year ending June 30, 2012 and 2011

Revenue:	June 30, 2012	June 30, 2011
<b>Sales From Auto/Upholstery</b>	\$ 222,602	\$ 102,977
Less Cost of Sales:		
Direct Labor	\$ 23,849	9,644
Materials	82,125	45,187
Overhead	120,565	43,532
Total Cost of Sales	(226,539)	(98,363)
Gross Profit	(3,937)	4,614
<b>Contribution to G &amp; A expenses - Auto/Upholstery</b>	<b>\$ (3,937)</b>	<b>4,614</b>
 <b>Net Proceeds from Manpower Operations:</b>		
Diamond Mountain Distributors	(850)	6,750
<b>Contribution to G &amp; A expenses - Manpower Operations</b>	<b>(850)</b>	<b>6,750</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	41,012	48,507
Fringe Benefits and other Payroll expenses	23,847	19,696
Inmate Labor - Office	11,513	14,603
Inmate Workers' Compensation Insurance	2,631	3,853
Miscellaneous Office expenses	4,514	5,511
Telephone	659	699
Postage and Mailing	885	342
Bond Expense	500	600
Dues, Subscriptions, and Licenses	1,265	399
Improvements and Small Equipment	-	25
Building and Grounds Improvements	429	984
Utilities	15,680	12,212
Miscellaneous expenses	5,827	4,962
Capitalized Institutional Overhead	3,943	3,705
Warranty expense	30,902	89,260
Total General and Administrative Manufacturing Expenses	(143,607)	(205,358)
<b>Earnings Available for Program Support or (Net Loss)</b>	<b>\$ (148,394)</b>	<b>\$ (193,994)</b>

The accompanying notes are an integral part of these financial statements.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
LCC GARMENT FACTORY  
Statements of Operations**

For the year ending June 30, 2012 and 2011

Revenue:	June 30, 2012	June 30, 2011
<b>Sales</b>	\$ 525,446	\$ 511,230
Less Cost of Sales:		
Direct Labor	\$ 104,600	83,246
Materials	220,184	206,735
Overhead	32,542	55,337
Total Cost of Sales	(357,326)	(345,318)
Gross Profit	168,120	165,912
Freight Revenues	28,418	21,298
Freight Expenses	(34,409)	(29,974)
Freight (Net of Revenues/Expenses)	(5,991)	(8,676)
<b>Contribution to G &amp; A expenses</b>	<b>\$ 162,129</b>	<b>157,236</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	26,683	27,002
Fringe Benefits and other Payroll expenses	16,102	15,742
Inmate Labor - Office	6,703	4,618
Inmate Workers' Compensation Insurance	2,773	3,604
Travel	611	354
Miscellaneous Office expenses	3,625	2,998
Telephone	393	301
Postage and Mailing	432	302
Advertising/Public Relations	50	135
Dues and Subscriptions	175	-
Utilities	10,842	6,663
Miscellaneous expenses	2,085	1,736
Capitalized Institutional Overhead	494	660
Warranty expense	26	-
Total General and Administrative Manufacturing Expenses	(70,994)	(64,115)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ 91,135</b>	<b>\$ 93,121</b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
ESP DRAPERY**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

<b>Revenue:</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>Sales</b>	\$ 68,755	\$ 98,156
Less Cost of Sales:		
Direct Labor	\$ 24,354	58,176
Materials	572	207
Overhead	8,199	23,203
Total Cost of Sales	(33,125)	(81,586)
Gross Profit	35,630	16,570
Freight Revenues	3,482	2,805
Freight Expenses	(3,663)	(3,185)
Freight (Net of Revenues/Expenses)	(181)	(380)
<b>Contribution to G &amp; A expenses</b>	<b>\$ 35,449</b>	<b>16,190</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	26,781	52,575
Fringe Benefits and other Payroll expenses	686	30,161
Inmate Labor - Office	5,318	12,777
Inmate Workers' Compensation Insurance	549	1,956
Travel	-	908
Miscellaneous Office expenses	1,615	1,723
Telephone	280	207
Postage and Mailing	81	97
Utilities	4,002	7,101
Miscellaneous expenses	1,480	1,490
Capitalized Institutional Overhead	-	-
Total General and Administrative Manufacturing Expenses	(40,792)	(108,995)
<b>Earnings available for program support or (Net loss)</b>	<b>\$ (5,343)</b>	<b>\$ (92,805)</b>

The accompanying notes are an integral part of these financial statements.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
PRISON RANCH**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

Revenue:	June 30, 2012	June 30, 2011
<b>Revenue - Livestock</b>		
Cash Sales	\$ 119,124	\$ 71,287
Non-Cash Inventory Adjustments	<u>5,460</u>	<u>26,810</u>
Total Revenue	\$ 124,584	<u>98,097</u>
Less Cost of Sales:		
Direct Labor	13,756	10,589
Materials	41,613	37,439
Overhead	<u>3,020</u>	<u>4,635</u>
Total Cost of Sales	<u>(58,389)</u>	<u>(52,663)</u>
<b>Contribution to G &amp; A expenses - Livestock</b>	<b>\$ 66,195</b>	<b><u>45,434</u></b>
<b>Sales - Dairy</b>	505,745	<u>556,172</u>
Less Cost of Sales:		
Direct Labor	39,671	35,439
Materials	247,469	182,804
Overhead	<u>109,522</u>	<u>112,214</u>
Total Cost of Sales	<u>(396,662)</u>	<u>(330,457)</u>
<b>Contribution to G &amp; A expenses - Dairy</b>	<b>109,083</b>	<b><u>225,715</u></b>
<b>Revenue - Crops</b>		
Sales	942,434	354,120
Non-Cash Inventory Adjustments	<u>140,318</u>	<u>39,602</u>
Total Revenue	1,082,752	<u>393,722</u>
Less Cost of Sales:		
Direct Labor	26,033	21,839
Materials	900,760	66,597
Overhead	<u>181,635</u>	<u>161,246</u>
Total Cost of Sales	<u>(1,108,428)</u>	<u>(249,682)</u>
<b>(Gross Loss) Contribution to G &amp; A expenses - Crops</b>	<b>(25,676)</b>	<b><u>144,040</u></b>
<b>Boarding Fees - Estray Horses</b>	5,633	-
Less Cost of Sales:		
Direct Labor	-	-
Materials	3,877	-
Overhead	<u>-</u>	<u>-</u>
Total Cost of Sales	<u>(3,877)</u>	<u>-</u>
<b>Contribution to G &amp; A expenses - Estray Horse Boarding</b>	<b>1,756</b>	<b><u>-</u></b>
<b>Boarding Fees - BLM (Wild) Horses</b>	1,404,655	<u>1,099,956</u>
Less Cost of Sales:		
Direct Labor	48,890	56,760
Materials	1,128,930	648,507
Overhead	<u>35,387</u>	<u>50,569</u>
Total Cost of Sales	<u>(1,213,207)</u>	<u>(755,836)</u>
<b>Contribution to G &amp; A expenses - BLM Wild Horse Boarding</b>	<b>191,448</b>	<b><u>344,120</u></b>
<b>Composting Project</b>	60,818	<u>56,584</u>
Less Cost of Sales:		
Direct Labor	26,476	25,611
Overhead	<u>277</u>	<u>-</u>
Total Cost of Sales	<u>(26,753)</u>	<u>(25,611)</u>
<b>Contribution to G &amp; A expenses - Composting Project</b>	<b>\$ 34,065</b>	<b><u>\$ 30,973</u></b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
PRISON RANCH**

**Statements of Operations**

For the year ending June 30, 2012 and 2011

(Continued)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>General and Administrative Ranch Expenses:</b>		
Salaries - Staff	\$ 256,411	\$ 261,554
Fringe Benefits and other Payroll expenses	100,204	98,058
Inmate Labor - Office	12,954	12,348
Inmate Workers' Compensation Insurance	3,671	3,654
Miscellaneous Office expenses	1,761	1,815
Telephone	593	1,012
Postage and Mailing	32	76
Advertising/Public Relations	294	499
Insurance	8,209	11,182
Dues and Subscriptions	306	1,474
Building and Grounds Improvements	12,320	26,059
Utilities	57,556	64,983
Miscellaneous expenses	<u>62,498</u>	<u>69,580</u>
Total General and Administrative Manufacturing Expenses	\$ (516,809)	\$ (552,294)
<b>Other Income - Excess Property Sales</b>	<u>7,530</u>	<u>-</u>
<b>Earnings available for program support or (Net loss)</b>	<u><b>\$ (132,408)</b></u>	<u><b>\$ 237,988</b></u>

The accompanying notes are an integral part of these financial statements.



**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**SCHEDULE OF INTERFUND SALES**  
For the year ending June 30, 2012 and 2011

	PER STATEMENTS OF OPERATIONS	INTERFUND SALES	AFTER REMOVING INTERFUND SALES	June 30, 2011
<b>Revenue:</b>	<b>June 30, 2012</b>			
<b>Industry Sales</b>	\$ 2,453,428	\$ (70,282)	\$ 2,383,146	\$ 2,039,937
Less Cost of Sales	<u>(1,821,372)</u>	<u>30,656</u>	<u>(1,790,716)</u>	<u>(1,561,558)</u>
Gross Profit from Industry Sales	<u>632,056</u>	<u>(39,626)</u>	\$ 592,430	\$ 478,379
<b>Ranch Sales</b>	3,184,187	(1,008,153)	2,176,034	1,832,882
Less Cost of Sales	<u>(2,807,316)</u>	<u>1,008,153</u>	<u>(1,799,163)</u>	<u>(1,042,600)</u>
Gross Profit from Ranch Sales	376,871	-	376,871	790,282
Freight (Net of Revenues/Expenses)	<u>9,801</u>	<u>(1,250)</u>	<u>11,051</u>	<u>(16,443)</u>
<b>General Manufacturing Expenses:</b>				
Staff Salaries	485,061		485,061	560,347
Staff Fringe Benefits and other Payroll expenses	191,472		191,472	223,765
Inmate Labor	90,761		90,761	97,512
Inmate Worker's Compensation Ins.	15,636		15,636	19,120
Travel expenses	8,633		8,633	7,870
Commissions	-		-	-
Office expenses	21,589	(1,070)	20,519	18,584
Telephone	2,977		2,977	3,554
Postage and Mailing	1,514		1,514	958
Advertising/Public Relations	344	(344)	0	(69)
Insurance	8,809		8,809	11,982
Dues and Subscriptions	2,977		2,977	3,262
Improvements and Small Equipment	13,322	(3,527)	9,795	4,968
Building & Grounds Improvements	28,837		28,837	30,240
Utilities	131,291		131,291	132,106
Administrative Fees	-		-	-
Miscellaneous expenses	84,854		84,854	85,795
Capitalized Institutional Overhead	13,725		13,725	21,877
Warranty expense	<u>30,928</u>		<u>30,928</u>	<u>89,343</u>
Total General Manufacturing Expenses:	<u>(1,132,730)</u>	<u>(4,941)</u>	<u>(1,127,789)</u>	<u>(1,311,215)</u>
<b>Net Income from Operations:</b>	<b>\$ (114,001)</b>	<b>\$ 33,435</b>	<b>\$ (147,436)</b>	<b>\$ (58,997)</b>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**SCHEDULE OF INTERFUND SALES**  
For the year ending June 30, 2012 and 2011  
(Continued)

	PER STATEMENTS OF OPERATIONS	ELIMINATION ENTRIES	AFTER REMOVING INTERFUND SALES	June 30, 2011
	June 30, 2012			
<b>General and</b>				
<b>Administrative Expenses:</b>				
Staff Salaries	\$ 416,062		\$ 416,062	\$ 438,588
Staff Fringe Benefits and other Payroll expenses	174,452		174,452	130,353
Inmate Labor	-		-	-
Inmate Worker's Compensation Ins.	-		-	-
Travel expenses	6,349		6,349	11,039
Rent	53,755		53,755	53,021
Office expenses	3,698	\$ (176)	3,522	5,595
Telephone	8,405		8,405	9,860
Postage and Mailing	1,411		1,411	1,364
Advertising/Public Relations	32,734	(31,709)	1,025	912
General Insurance	6,346		6,346	10,833
Vehicle expenses	7,599	(1,550)	6,049	5,270
Dues and Subscriptions	3,267		3,267	4,632
Depreciation expense	86,579		86,579	86,579
Improvements and Small Equipment	1,011		1,011	4,266
Bad Debt expense	12,000		12,000	-
Utilities	-		-	238
Miscellaneous expenses	95,871		95,871	60,458
Total General and Administrative Expenses	(909,539)	(33,435)	\$ (876,104)	(823,008)
<b>Other Income (Expenses)</b>				
Interest Revenue	200		200	1,439
Finance Charges	50,845		50,845	37,024
License Plate Fees	495,733		495,733	462,759
Capital Improvement (net)	73,419		73,419	83,083
Rental Income	67,200		67,200	94,172
Administrative Fees	81,071		81,071	111,396
Miscellaneous Revenue	9,750		9,750	10,535
Excess Property Sales	7,530		7,530	-
<b>Net Income (Loss)</b>	<b>\$ (237,792)</b>	<b>\$ -</b>	<b>\$ (237,792)</b>	<b>\$ (81,597)</b>

The accompanying notes are an integral part of these financial statements.



**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**1. Summary of Significant Accounting Policies**

**(a) Organization**

Silver State Industries is a division of the Nevada Department of Corrections. The division produces and sells various products and services to governmental and private organizations as well as individuals.

**(b) Inventories**

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

**(c) Livestock and Crops**

The Ranch's Dairy and Livestock sections use the unit-livestock-price method of valuing their livestock inventories, except for any livestock purchased, which is valued at the lower of cost or market. Crops are valued using the farm-price method of valuation.

**(d) Land Improvements, Property, and Equipment**

Land improvements, property, and equipment are stated at cost and are depreciated over their estimated useful lives of 3 to 40 years using the straight-line method. The capitalization threshold is established by the Nevada Controller's office is currently is \$5,000 for equipment and \$100,000 for buildings.

**(e) Income Taxes**

Silver State Industries is a division of the Nevada Department of Corrections, and is organized exclusively for public purposes and, accordingly, is exempt from federal income taxes.

**(f) Cash**

The cash of Silver State Industries is under the direct control of the Controller of the State of Nevada. The cash balance is accounted for with other state funds and is classified as an enterprise fund on the state's balance sheet. Silver State Industries classifies cash as either nonrestricted or restricted as follows:

(1) Nonrestricted cash is made up of cash received by Prison Industries (budget account 3719) and Prison Ranch (budget account 3727) and may be expended, within budgetary constraints, to support the day-to-day activities of the division.

(2) Restricted cash is made up of revenue received by P I Capital Projects (budget account 3728) and may only be used to construct facilities and/or purchase equipment and supplies to start up a new or expand an existing Prison Industry program. It is funded by five percent of each inmate's gross wages who works for Silver State Industries either directly or through a private company under contract with Silver State Industries.

**(g) Reporting Entity**

Governmental Accounting and Financial Reporting Principles require that combined financial statements be presented for governmental entities which present financial statements in accordance with generally accepted accounting principles. The accompanying financial statements are not intended to present the combined financial activities of the Department of Corrections taken as a whole. They are intended only to present the financial activities of Fund 525, Prison Industry Fund dba Silver State Industries, which is composed of the Prison Industry, Prison Ranch, and PI Capital Improvement budget accounts.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**(h) Basis of Accounting**

The financial statements of Silver State Industries are prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**(i) Encumbrances**

An encumbrance system is utilized as a form of budgetary control to account for purchase orders, contracts, or other legal commitments. For budgetary purposes, encumbrances are recorded as expenses in the accounting period in which the encumbrance was originally established. For financial reporting purposes, encumbrances are recorded as expenses in the accounting period in which the liability is incurred, in accordance with generally accepted accounting principles.

**2. Land, Land Improvements, Property, and Equipment**

Land, land improvements, property, and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 153,140	\$ 153,140
Land improvements	1,982,000	1,982,000
Buildings	908,227	908,227
Furniture and equipment	<u>972,794</u>	<u>972,794</u>
Fixed assets at cost	4,016,161	4,016,161
Less accumulated depreciation	<u>(3,114,381)</u>	<u>(3,002,832)</u>
<b>Net fixed assets</b>	<u><b>\$ 901,780</b></u>	<u><b>\$ 1,013,329</b></u>

Depreciation expense was applied to either cost of sales through overhead or general and administrative expenses, depending on the nature of the capital asset. At June 30, 2012, and 2011, depreciation expense was applied as follows:

<u>Cost Center</u>	<u>2012</u>	<u>2011</u>
Central Administration	\$ 86,579	\$ 86,579
LCC Mattress	1,790	775
NNCC Print	6,015	8,808
NNCC Metal	907	907
NNCC Furniture	0	0
SDCC Auto	0	3,000
LCC Garment	1,203	1,203
Ranch Livestock	333	333
Ranch Crops	4,833	4,833
Ranch Dairy	<u>9,889</u>	<u>9,889</u>
Total depreciation Expense	<u><b>\$111,549</b></u>	<u><b>\$116,327</b></u>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**3. Inventories**

Inventories at June 30, 2012, consisted of the following:

<b><u>Cost Center</u></b>	<b><u>Raw Materials</u></b>	<b><u>Work in Process</u></b>	<b><u>Finished Goods</u></b>	<b><u>Op Supplies</u></b>	<b><u>Total</u></b>
LCC Mattress	\$76,959	\$ 0	\$32,556	\$ 0	\$ 109,515
NNCC Print/Bindery	44,734	2,670	15,865	2,350	65,619
Ranch Dairy	3,692	-	0	2,464	6,156
NNCC Metal	17,135	74,775	8,092	17,086	117,088
NNCC Furniture	37,181	2,264	41,336	19,504	100,285
SDCC Auto/Upholstery	61,798	203,154	12,942	7,568	285,462
SDCC Bighouse Choppers	3,449	0	57,818	-	61,267
LCC Garment	65,211	0	19,160	400	84,771
Ely Drapery	1,941	0	0	39,025	40,966
<b>Total</b>	<b><u>\$312,100</u></b>	<b><u>\$282,863</u></b>	<b><u>\$187,769</u></b>	<b><u>\$88,397</u></b>	<b><u>\$871,129</u></b>

Inventories at June 30, 2011, consisted of the following:

<b><u>Cost Center</u></b>	<b><u>Raw Materials</u></b>	<b><u>Work in Process</u></b>	<b><u>Finished Goods</u></b>	<b><u>Op Supplies</u></b>	<b><u>Total</u></b>
LCC Mattress	\$ 87,812	\$ 0	\$ 34,593	\$ 6,665	\$ 129,070
NNCC Print/Bindery	34,844	368	5,066	2,464	42,742
Ranch Dairy	3,689	-	0	-	3,689
NNCC Metal	11,507	83,593	1,816	17,353	114,269
NNCC Furniture	52,654	8,636	22,324	19,011	102,625
SDCC Auto/Upholstery	62,888	226,425	2,178	7,379	298,870
SDCC Bighouse Choppers	3,217	0	57,818	-	61,035
LCC Garment	73,635	0	24,481	264	98,380
Ely Drapery	0	0	0	26,995	26,995
<b>Total</b>	<b><u>\$ 330,246</u></b>	<b><u>\$ 319,022</u></b>	<b><u>\$ 148,276</u></b>	<b><u>\$ 80,131</u></b>	<b><u>\$877,675</u></b>

**4. Commitments and Contingencies**

Silver State Industries administrative offices are located at the Casa Grande facility in Las Vegas and the Stewart Facility in Carson City. There are no contracts in place for either of these facilities. As such, no provisions for commitments are included in these financial statements.

**5. Unearned Revenue**

Unearned revenue represents moneys that customers have paid in advance of receiving merchandise or from overpaying their account. At June 30, 2012, and 2011, \$255,169 and \$293,160 of such moneys had been received, respectively.

**6. Deposits**

Silver State Industries manufactures “Bighouse Choppers™”, which are custom-made motorcycles. In order to obtain business licenses through the Nevada Department of Motor Vehicles, deposits of \$5,000 each were made for licenses to manufacture motorcycles and motorcycle trailers and to act as a dealer.

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SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**7. Livestock**

The Ranch's Livestock inventory at June 30, 2012, consisted of the following:

Type of Livestock	Number in Herd	Unit-Livestock Value	Dairy	Livestock	Total
Holstein Bred Heifers	54	1,250	0	67,500	67,500
Milking Cows	95	900	85,500	0	85,500
Beef Calves	52	250	0	13,000	13,000
Beef Cows	50	420	0	21,000	21,000
Unweaned Calves	22	50	0	1,100	1,100
Yearling Heifers	7	450	0	3,150	3,150
Weaned Heifers	59	250	0	14,750	14,750
Weaned Holstein Breeding Bulls	14	700	0	9,800	9,800
Beef Bulls	3	1,750	0	5,250	5,250
Dairy Bulls	1	1,000	1,000	0	1,000
Dry Cows	22	900	19,800	0	19,800
Yearling Beef Heifers	0	0	0	0	0
Weaned Holstein Steers	1	180	0	180	180
Weaned Beef Breeding Bulls	0	0	0	0	0
<b>Grand Total</b>	<b>380</b>		<b>106,300</b>	<b>135,730</b>	<b>242,030</b>

The Ranch's Livestock inventory at June 30, 2011, consisted of the following:

Type of Livestock	Number in Herd	Unit-Livestock Value	Dairy	Livestock	Total
Holstein Bred Heifers	46	1,250	0	57,500	57,500
Milking Cows	78	900	70,200	0	70,200
Beef Calves	51	250	0	12,750	12,750
Beef Cows	61	420	0	25,620	25,620
Unweaned Calves	16	50	0	800	800
Yearling Heifers	25	450	0	11,250	11,250
Weaned Heifers	39	250	0	9,750	9,750
Weaned Holstein Breeding Bulls	8	700	0	5,600	5,600
Beef Bulls	4	1,750	0	7,000	7,000
Dairy Bulls	3	1,000	3,000	0	3,000
Dry Cows	23	900	20,700	0	20,700
Yearling Beef	0	0	0	0	0

**NEVADA DEPARTMENT OF CORRECTIONS  
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Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

<b>Heifers</b>					
<b>Weaned</b>	0	0	0	0	0
<b>Holstein Steers</b>					
<b>Weaned Beef</b>	0	0	0	0	0
<b>Breeding Bulls</b>					
<b>Grand Total</b>	354		93,900	130,270	224,170

**8. Accounts Receivable**

Accounts receivable at June 30, 2012, consist of the following:

<b><u>CUSTOMER TYPE</u></b>	<b><u>AMOUNT</u></b>	<b><u>PERCENTAGE OF TOTAL</u></b>
Private Sector	640,152	63.27%
Department of Corrections	106,530	10.53%
Other State Agencies	90,605	8.96%
Other Governments	174,471	17.24%
Total Accounts Receivable	1,011,758	
Less Allowance for Doubtful Accounts	(9,451)	
Net Realizable Value	1,002,307	

The private sector consists of 37 individual accounts as of 06/30/12. The largest account's balance represents 36.97% of the total receivables at \$373,999 (has a \$390,838 balance as of 08/24/12.) Coming in second at 5.97% is a balance of \$60,374 (they paid that off but have a current balance of \$52,451 as of 08/24.) Next is \$56,504 for 5.58% of total receivables (has a balance of \$56,728 as of 08/24.) The number four spot is \$51,578 for 5.10% share (has a balance of \$61,158 as of 08/24.) Number five on the list is \$16,121 for a 1.59% share of receivables (has an \$11,393 balance as of 08/24.) The last large amount is \$14,987 or 1.48% with a zero balance 08/24/12. All other private sector customers have minimal balances.

Accounts receivable at June 30, 2011, consist of the following:

<b><u>CUSTOMER TYPE</u></b>	<b><u>AMOUNT</u></b>	<b><u>PERCENTAGE OF TOTAL</u></b>
Private Sector	580,372	63.75%
Department of Corrections	95,755	10.52%
Other State Agencies	48,839	5.36%
Other Governments	185,443	20.37%
Total Accounts Receivable	910,409	
Less an allowance for doubtful Accounts	(8,502)	
Net Realizable Value	901,907	

The private sector consists of 44 individual accounts as of 06/30/11. The largest account's balance represents 23.61% of the total receivables at \$214,936 (has a \$229,116 balance as of 08/26/11.) Coming in second at 11.63% is a balance of \$105,878 (has a balance of \$51,113 as of 08/26.) Next is \$96,514 for 10.60% of total receivables (has a balance of \$35,254 as of 08/26.) The number four spot is \$23,095 for 2.54% share (still has the same balance 08/26.). The last large amount is \$19,671 for a 2.16% share of receivables (has a zero balance as of 08/26.) All other private sector customers have minimal balances.



**NEVADA DEPARTMENT OF CORRECTIONS  
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Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**9. Accounts Payable**

Accounts payable at June 30, 2012, consisted of the following:

<u>GROUP</u>	<u>AMOUNT</u>
Private Section Vendors	\$ 84,934
Department of Corrections	77,776
Other State Agencies	<u>413,865</u>
Total	<u>\$ 576,575</u>

Accounts payable at June 30, 2011, consisted of the following:

<u>GROUP</u>	<u>AMOUNT</u>
Private Section Vendors	\$ 95,611
Department of Corrections	117,102
Other State Agencies	<u>69,996</u>
Total	<u>\$ 282,709</u>

**10. Retirement Plan**

The employees of the Department of Corrections participate in one or the other of two retirement plans administered by the Nevada Public Employees' Retirement System. Each has two sub-plans; Regular members and Police/Fire members. Under the Employee/Employer Contribution Plan, the employee and Silver State Industries each contribute 12% (Regular) or 17.25% (Police/Fire) of the employee's gross earnings not including overtime and/or terminal leave. Under the Employer-Pay Contribution Plan, Silver State Industries alone contributes 20.5% (Regular) or 33.5% (Police/Fire) of the employee's gross earnings not including overtime and/or terminal leave.

NRS 286.110 provides that a participating public employer, which includes State agencies, is not liable for any obligations of the Public Employees' Retirement System. Current contribution rates and income of the Public Employees' Retirement System are actuarially projected to fully fund its obligations over a 40-year period.

**11. Annual and Sick Leave Benefits**

When compensatory time, annual leave, and sick leave benefits are not taken as they are earned, they accumulate to be carried over to the next year, except for annual leave in excess of 30 days. Accumulated annual leave and compensatory time are payable upon termination; however, sick leave is not, except that unused sick leave over 30 days may be partially compensated upon retirement, termination, or death, calculated at a rate of 50% of the value had it been used. The estimated liability at June 30, 2012, and 2011, was \$194,345 and \$193,087 respectively.

**12. Interest and Finance Charge Revenue**

**(a) Interest Revenue**

Silver State Industries (SSI) deposits all cash receipts into the State of Nevada's bank account. All cash transferred from other State agencies, is made via a billing claim or journal voucher into SSI's budget account. At the end of each quarter, the State Treasurer's office computes and transfers interest earned into SSI's budget account. During the years ended June 30, 2012, and 2011, interest received was \$200 and \$1,439, respectively.

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Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**(b) Finance Charge Revenue**

During fiscal year 1993, the State Legislature passed a bill directing Silver State Industries to charge a 1.5% per month finance charge on private sector sale invoices not paid when due. During the years ended June 30, 2012, and 2011, finance charge revenue amounted to \$50,845 and \$37,024, respectively.

**13. Inmate Labor**

The major objective of the prison industry program is to provide jobs for inmates and, as such, inmates are the major source of labor used in Silver State Industries' operations.

Silver State Industries uses two methods of working inmates. The first is through its own operations. No income or social security taxes are withheld from the inmates' wages. Gross wages are reported to the individual and the Internal Revenue Service via a Form 1099. The second method is through private industries operating within an institution. The employer withholds income and social security taxes from the inmate wages.

In both cases above, assessments are made from the inmates' gross wages to support the following programs:

**(a) Room and Board (R & B)**

Twenty-four and one-half percent of inmates' gross wages are assessed to defray some of the costs incurred by the State to house the inmates.

**(b) Prison Industries Capital Improvement Fund (PICI)**

Five percent of inmates' gross wages are assessed for future Prison Industry programs.

**(c) Victims of Crimes Fund (VCF)**

Five percent of inmates' gross wages are assessed for this fund.

During the year ended June 30, 2012, the following are the assessments made to the corresponding program they supported:

<b><u>INSTITUTION</u></b>	<b><u>(a) R &amp; B</u></b>	<b><u>(b) PICI</u></b>	<b><u>(c) VCF</u></b>	<b><u>TOTAL</u></b>
Northern Nevada C.C.	62,828	12,822	12,822	88,472
Stewart Conservation C.	41,106	8,389	8,389	57,884
Lovelock Correctional C.	37,308	7,614	7,614	52,536
Florence McClure Women's C.C.	131,319	26,800	26,800	184,919
Southern Desert C.C.	30,103	6,143	6,143	42,389
Warm Springs C.C.	5,142	1,049	1,049	7,240
Indian Springs Conservation Camp	4,599	939	939	6,477
High Desert State Prison	71,138	14,518	14,518	100,174
Ely State Prison	7,270	1,484	1,484	10,238
Total	<u>\$ 390,813</u>	<u>\$ 79,758</u>	<u>\$ 79,758</u>	<u>\$550,329</u>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

**13. Inmate Labor** (continued)

During the year ended June 30, 2011, the following are the assessments made to the corresponding program they supported:

<b>INSTITUTION</b>	<b>(a) R &amp; B</b>	<b>(b) PICI</b>	<b>(c) VCF</b>	<b>TOTAL</b>
Nevada State Prison	\$ 14,053	\$ 2,868	\$ 2,868	\$ 19,789
Northern Nevada C.C.	60,995	12,448	12,448	85,891
Stewart Conservation C.	29,834	8,129	8,129	56,092
Lovelock Correctional C.	38,251	7,806	7,806	53,863
Florence McClure Women's C.C.	108,674	22,178	22,178	153,030
Southern Desert C.C.	45,515	9,289	9,289	64,093
Warm Springs C.C.	9,897	2,020	2,020	13,937
Indian Springs Conservation Camp	8,909	1,818	1,818	12,545
High Desert State Prison	63,424	12,944	12,944	89,312
Ely State Prison	<u>17,555</u>	<u>3,583</u>	<u>3,583</u>	<u>24,721</u>
Total	<u>\$ 407,107</u>	<u>\$ 83,083</u>	<u>\$ 83,083</u>	<u>\$573,273</u>

Silver State Industries pays Workers' Compensation premiums for all inmates working through Prison Industries unless a participating partner is self-insured. Applicable private companies are then billed by Silver State Industries for reimbursement.

**14. Related Party Transactions**

The buildings and facilities used by the various prison industries, except the Prison Ranch, are provided by the institution where they are located, including the majority of maintenance. Silver State Industries did not recognize any costs for these facilities other than utility consumption within these financial statements. Prison Industries reimburses each institution for their pro-rata share of utility consumption.

The cost centers, within Silver State Industries, sell and purchase items to and from each other. Sales and purchases are stated at fair value within the applicable Statement of Operations and are eliminated on the Consolidated Statement of Operations. Elimination entries are reflected on the accompanying Schedule of Interfund Sales.

**15. Accrued Warranties**

At June 30, 2012, and 2011, Silver State Industries expensed warranty expense as it occurred. PI did not accrue any warranty expense for the years ending June 30, 2012 and 2011.

**16. Bad Debt Expense**

Bad debt expense represents sales recognized in prior fiscal years that are deemed uncollectible in the current year. The majority of the expenses are moneys due Silver State Industries from individuals or businesses that have filed bankruptcy or have gone out of business. Balances owed by individuals or businesses where a formal bankruptcy decree has not been received by Silver State Industries have been forwarded to the State Controller for help in collection. Any amounts subsequently collected will be treated as miscellaneous income by the central administration in the year collected. Other amounts written-off in the current year represent uncollectible accounts.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2012 and 2011

Prison Industries determined nine accounts receivable accounts to be uncollectible this year. They all were turned over to the Controller's office for collection. The allowance for doubtful accounts at the beginning of the year had an \$8,502 balance. \$12,000 was charged to bad debt expense this fiscal year. Bad debts written off totaled \$11,051. Therefore, the balance for Allowance for Doubtful Accounts at the end of the year was \$9,451.

**17. Utilities**

In both 2012 and 2011, the cost of utilities has been allocated to private industries according to what the Nevada Department of Corrections charged Prison Industries.