

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

(NRS 209.4817)



**Friday, November 7, 2014
2:00 p.m.**

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

Videoconference to:

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

STATE OF NEVADA
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE COMMISSION (775) 684-6800
MARILYN K. KIRKPATRICK, *Assemblywoman, Chairman*
Rick Combs, *Director, Secretary*

CARSON CITY OFFICE:
Legislative Building, 401 S. Carson Street
Carson City, Nevada 89701-4747
Fax No.: (775) 684-6600
RICK COMBS, *Director* (775) 684-6800
BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830
PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815
DONALD O. WILLIAMS, *Research Director* (775) 684-6825



INTERIM FINANCE COMMITTEE (775) 684-6821
DEBBIE SMITH, *Senator, Chairman*
Mark Krmpotic, *Fiscal Analyst*
Cindy Jones, *Fiscal Analyst*

LAS VEGAS OFFICE:
555 E. Washington Avenue, Room 4400
Las Vegas, Nevada 89101-1049
Fax No.: (702) 486-2810
MELISA R AGUON, *Legislative Services Officer* (702) 486-2800

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: November 7 , 2014 – 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 location:

Legislative Building
Room 3137
401 S Carson Street
Carson City, 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 "Calendar of Meetings - View."

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.

I. ROLL CALL.

II. PUBLIC COMMENT.

(Because of time considerations, speakers are urged to avoid repetition of comments made by previous speakers. A person may also have comments added to the minutes of the meeting by submitting them in writing either in addition to testifying or in lieu of testifying. Written comments may be submitted in person or by email, facsimile, or mail before, during, or after the meeting.)

*For
Possible
Action*

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR JUNE 27, 2014.

*For
Possible
Action*

IV. REVIEW THE NEVADA DEPARTMENT OF CORRECTIONS' RESPONSE TO THE 2013 MONEY COMMITTEES' LETTER OF INTENT REGARDING THE PRISON INDUSTRIES' MISCELLANEOUS SALES AND RETAINED EARNINGS FOR THE YEAR ENDING JUNE 30, 2014, AND THE QUARTER ENDING SEPTEMBER 30, 2014.

*For
Possible
Action*

V. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011 THROUGH SEPTEMBER 2014.

*For
Possible
Action*

VI. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2013, FY 2014 AND FY 2015 YEAR-TO-DATE.

*For
Possible
Action*

VII. STATUS OF FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES – NRS 209.192.

*For
Possible
Action*

VIII. STATUS REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES.

*For
Possible
Action*

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

*For
Possible
Action*

X. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE YEAR ENDING JUNE 30, 2014.

*For
Possible
Action*

XI. DISCUSSION OF REQUESTED LEGISLATION RELATING TO AUTHORIZED EXPENDITURES FROM THE FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES.

XII. PUBLIC COMMENT.

(Because of time considerations, speakers are urged to avoid repetition of comments made by previous speakers. A person may also have comments added to the minutes of the meeting by submitting them in writing either in addition to testifying or in lieu of testifying. Written comments may be submitted in person or by email, facsimile, or mail before, during, or after the meeting.)

XIII. ADJOURNMENT.

Note: We are pleased to make reasonable accommodations for persons with disabilities who 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) 684-6821 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 this meeting was posted on the Internet through the Nevada Legislature's website at www.leg.state.nv.us.

Supporting public material provided to Committee members for this meeting may be requested from Cheryl Harvey, Committee Secretary, at 775-684-6874 or Tracie Battisti, Fiscal Analysis Division of the Legislative Counsel Bureau at 775-684-6821, and is/will be available at the following locations: Meeting locations and the Nevada Legislature's website at www.leg.state.nv.us.

MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S COMMITTEE ON
INDUSTRIAL PROGRAMS FOR JUNE 27, 2014

**MINUTES OF THE
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S
COMMITTEE ON INDUSTRIAL PROGRAMS
(NRS 209.4817)
June 27, 2014**

SUMMARY OF MINUTES

The fourth meeting of the 2013–14 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 1:00 p.m. on Friday, June 27, 2014, in Room 4401 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously video conferenced to Room 3137 of the Legislative Building in Carson City.

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator David R. Parks, Chairman
Assemblyman Crescent Hardy, Vice Chairman
Bruce Aguilera, Representing Business
Robert Conway, Representing Organized Labor
Mike Magnani, Representing Organized Labor
Allen J. Puliz, Representing Manufacturing
Greg Cox, Director, Nevada Department of Corrections
Greg Smith, Administrator, Purchasing Division, Department of Administration

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Ben Kieckhefer
Tom Dickman, Representing Business

COMMITTEE MEMBERS ABSENT:

Assemblyman Michael Sprinkle

STAFF MEMBERS PRESENT IN LAS VEGAS:

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

James Penrose, Senior Principal Deputy Legislative Counsel, Legal Division
Cheryl Harvey, Committee Secretary, Fiscal Analysis Division

OTHERS PRESENT IN LAS VEGAS:

Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections
Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections

OTHERS PRESENT IN CARSON CITY:

Tim Bryant, Ranch Manager, Prison Industries, Nevada Department of Corrections

Bill Quenga, Marketing Coordinator, Prison Industries, Nevada Department of Corrections

Matthew Brown, Supervisor, Prison Industries, Nevada Department of Corrections

Lane Hanner, Supervisor, Prison Industries, Nevada Department of Corrections

EXHIBITS:

Exhibit A – Agenda and Meeting Packet

Exhibit B – Battle Born Magazine

Exhibit C – USA Today article

I. ROLL CALL.

Chair Parks called the meeting of the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs to order at 1:05 p.m.. The secretary called roll, Assemblyman Sprinkle was absent and all other members were present.

II. PUBLIC COMMENT.

There was no public comment.

III. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR MARCH 28, 2014.

Chair Parks requested a motion for approval of the minutes from the March 28, 2014, meeting.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE MINUTES OF THE MARCH 28, 2014, MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS.

BRUCE AGUILERA SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY.

IV. REVIEW OF NEVADA DEPARTMENT OF CORRECTIONS' RESPONSE TO QUESTIONS FROM THE MARCH 28, 2014, MEETING REGARDING TRASH PICK-UP ALONG INTERSTATE 15.

Brian Connett, Deputy Director, Industrial Programs, Nevada Department of Corrections, directed the Committee to page 14 of the meeting packet (Exhibit A). He explained the Nevada Division of Forestry (NDF), contracted the Nevada Department of Transportation (NDOT) to determine how much it would cost to conduct trash pick-up along the I-15 corridor. According to NDF, it typically costs \$1,000 per day to deploy an inmate crew for trash pick-up along the state's highways. The NDF supervisor reviewed

the corridor and estimated it would take 12 to 16 days to clean the area. It was apparent that the trash was coming from the trash trucks.

Chair Parks commented that Republic Services was not the only trash company that serviced Las Vegas. The trash problem along I-15 was relative to all vehicles that transported to the landfill.

Mr. Aguilera asked if a fee could be charged to the clients of the landfill to clean up the freeway and defer some of the costs. Mr. Connett responded he did not know if the land fill could charge such a fee. Chair Parks said perhaps there could be a \$.02 surcharge per ton of trash that was hauled to the landfill. Senator Parks indicated that he would like trash pick-up along I-15 to take place on a reoccurring basis. He asked if there was a set schedule for the inmates to be gathering the trash along I-15. Mr. Connett said a schedule would need to be set up for the inmates to pick up trash along I-15 on a regular basis. Nevada Department of Forestry would make all the arrangements to schedule and deliver the work crews to the site.

Mr. Aguilera wondered if the NDF had any ideas of how to fund this clean-up project. Chair Parks said most state budgets were strapped for money, and this program might seem like a luxury. He had read several letters to the editor regarding the unsightly condition of the interstate, and he thought this would be a good project for the inmate workforce.

Assemblyman Hardy asked if the NRS would need to be changed to facilitate a new fee to be collected by the landfill. As a person that has driven this section of the highway for years, he noticed the strong winds in the early spring, seemed to frequently blow plastic shopping bags out of the waste hauling trucks. He asked if the suggested fee would have to be approved by the state or county. Chair Parks said the fees from the APEX landfill were administered by Clark County. He added that perhaps plastic shopping bags should be outlawed as a solution to the litter problem along I-15. Plastic shopping bags had been outlawed in other states.

Senator Kieckhefer said it seemed that there would be covenants within the franchise agreements between waste haulers and Clark County restricting the amount of litter that comes off of the waste hauler trucks. The city codes should be reviewed to determine if these waste haulers were in violation of its covenants by not controlling the litter. The problem may be resolved by enforcing the codes.

V. STATUS REPORT FROM THE DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE DRAPERY SHOP AT LOVELOCK CORRECTIONAL CENTER.

Mr. Connett asked to discuss this agenda item during agenda item IX.

VI. REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011 THROUGH MAY 31, 2014.

Diane Dastal, Administrative Services Officer II, Nevada Department of Corrections, summarized the number of inmates that worked on page 15 of the meeting packet (Exhibit A).

VII. REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2012, FY 2013 AND FY 2014 YEAR TO-DATE.

Ms. Dastal reviewed the deductions from the inmate wages for room and board, the Prison Industry Capital Improvement Fund (CIP), and the victims of crime on page 19 (Exhibit A).

VIII. STATUS OF FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES – NRS 209.192.

Ms. Dastal reviewed the fund for new construction of facilities for Prison Industries on page 21 (Exhibit A).

Mr. Connett recalled a discussion that had taken place at the last Committee meeting related to expanding the uses of the CIP funds. Mr. Connett wanted to work with the Legislative members of the Committee to draft a Bill Draft Request (BDR) for consideration by the 2015 Legislature that would allow the Prison Industry program to use the CIP fund for purchasing equipment, and enhancing operations at the facilities. The industries would like to purchase equipment to expand their production capacity. In total, there was approximately \$357,000 in equipment Prison Industries was interested in purchasing.

Mr. Aguilera asked what if the additional equipment would be used by existing industries. Mr. Connett explained Prison Industries would enhance its product lines. For instance, it would purchase equipment for the garment factory that would allow the industry to manufacturing T-shirts. The cost of the T-shirt manufacturing equipment was approximately \$38,000 to \$48,000, depending upon what the marketplace offered. Prison Industries would also seek to purchase for the garment factory additional sewing machines, and a fabric cutter. In addition, Prison Industries would also like to obtain several welders, a grinder and a powder coating machine for the metal shop. These pieces of equipment would help enhance Prison Industry's programs and possibly expand its product lines.

Mr. Puliz said the fund in this account had built up in the past because of the restrictions on its use. In today's economic times, it was smarter to use the funds to improve the productivity which would allow the programs to make more money and employ more inmates. He did not foresee any new facilities needed in the near future for new or

prospective Prison Industry Programs. He explained that if the fund was built up again, the state would take those funds and use them for other purposes.

Mr. Smith shared that if the NRS was amended to allow Prison Industries to purchase equipment with the CIP funds, new equipment would still be subject to the state's procurement regulations. If Prison Industries purchased used equipment it would have more discretion in taking advantage of good deals. Mr. Smith supported this recommendation.

Chair Parks offered to work with Mr. Connett to draft a BDR to revise the NRS governing the CIP fund. Chair Parks continued to say he wanted the language in the bill to specify the funds could only be used for capital items, not operating costs. Mr. Connett said he would work with Chair Parks in drafting the bill.

Director Cox stated he appreciated the Committee's input and cooperation in assisting the NDOC with the proposed legislative changes. He agreed with the recommendation that the money in the CIP fund should be used to purchase new equipment for Prison Industries.

IX. REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS FOR THE NINE-MONTHS ENDING MARCH 31, 2014.

Ms. Dastal reviewed the financial statements from Silver State Industries starting on page 25 (Exhibit A).

Ms. Dastal informed the Committee that Mary Byington, Supervisor of the Print Shop, was unable to attend the meeting. On behalf of Ms. Byington, Ms. Dastal highlighted several key projects the print shop had completed in the recent months.

Mr. Aguilera stated the financial report on page 32 (Exhibit A) had \$4,110 in commissions as of March 31, 2014, but none in the prior period. Ms. Dastal responded the commissions were from working with the NV 150 Committee, as the Committee received a 10 percent commission on the sales.

Mr. Aguilera commented the Battle Born magazine (Exhibit B) was nicely done, he asked if advertisements would be added to the magazine to generate revenue. Mr. Connett responded that Prison Industries was only given text and pictures to graphically layout in the magazine, no advertisements.

Chair Parks asked if sales generated by the print and bindery shop increased during legislative sessions. Mr. Connett indicated that the print shop did experience an increase in sales during legislative sessions. During the timeframe when the legislature was not in session, the print and bindery shop helped state agencies print its budgets. To diversify the print shop, Prison Industries was working with state agencies to generate and store its agency-specific forms.

Ms. Dastal summarized the financial performance of the furniture and metal shop. Mr. Connett said the furniture and metal shop tried to reduce its costs. The labor costs had been reduced. They were looking at the pricing strategy. Mr. Connett had discussions with material suppliers to negotiate more competitive pricing. Prison Industries anticipated improvements to the furniture and metal shop in the fourth quarter.

Mr. Connett indicated that the furniture and metal shop needed more equipment such as a roll bender, a powder coating system, band saw, and welder. Some of that equipment could be purchased used.

Mr. Quenga introduced himself and explained the furniture shop was very busy during the end of the fiscal year. The shop had been awarded an \$80,000 job from the Las Vegas Convention Authority to build podiums. The furniture shop was also awarded a job with the Reno Sparks Convention Center to reupholster 1,400 chairs for the Reno Rodeo.

Mr. Quenga said the metal shop was slow, but it typically picked up after May 1, which was when concrete could be poured for metal structures.

Senator Kieckhefer commented that the chairs at the rodeo were very comfortable. Mr. Smith commented that his staff at the Purchasing Division had worked with the staff from Prison Industries on numerous occasions.

Chair Parks asked when agencies submit request to acquire furniture or metal does the Purchasing Division try to direct the agency to Silver State Industries. Mr. Smith responded that his staff directed agencies with such purchasing requirements to Silver State Industries.

Assemblyman Hardy asked what the purpose was for a powder coating machine. The State Parks division needed its picnic tables and barbecues powder coated. There was a large demand for these items, but the metal shop had to turn the business away as it did not have the capability to powder coat. Mr. Quenga thought it would enhance and develop new products in the metal shop. It would make the metal shop more profitable and also teach the inmates additional skills.

Assemblyman Hardy expressed concerns with the metal shop using this equipment to compete with the private sector. He warned that Silver State Industries needed to be careful about competing with the private sector.

Chair Parks asked if there was a possibility Prison Industries could regain its business with Shelby American. Mr. Connett did not anticipate Shelby American returning to Prison Industries. Mr. Aguilera said a former colleague of his was currently president of Shelby American, Neal Cummings. He would be happy to contact Mr. Cummings on behalf of Prison Industries.

Mr. Connett said the garment factory was heavily reliant upon business from the NDOC. Lane Hanner, Supervisor, Garments Factory, Nevada Department of Corrections, introduced himself and explained he was the supervisor for the garment factory and drapery shop located in the Lovelock Correctional Center (LCC). He was always trying to diversify and grow the shops' product lines. He was interested in manufacturing T-shirt for inmates. Currently, all of the T-shirts for the NDOC were purchased from a private vendor. This project would require special machinery exclusive to making T-shirts. Mr. Connett indicated that NDOC's T-shirts were purchased from a company out of state.

Chair Parks understood there was space available to carry on the T-shirt operation at LCC. He asked if a proposal would be coming forward to expand the garment factory's product line to include T-shirts. Mr. Connett answered he would like to present a proposal for the expanded product line at the next Committee meeting.

Chair Parks said it seemed there should be a market from other state agencies to use the services. Mr. Puliz asked if the T-shirts that were supplied to NDOC at this time came from China. Mr. Connett responded he was not sure. Mr. Puliz asked if the Prison Industries could compete with the prices offered by its current T-shirt vendor. Mr. Connett said according to his estimates, Prison Industries could manufacture NDOC's T-shirts at a minimal profit.

Mr. Connett summarized five options for the Committee to choose from regarding the future operations of the drapery shop. The first option eliminated drapery as its own budgeted center and integrate it into the garment factory. The cost, equipment, labor and overhead associated with the drapery shop would be shown as a product line of the garment industry. The equipment owned by the drapery shop could then be utilized to increase the capacity of the garment factory. The garment factory was also considering adding bed shams and mattress covers to its product line. The second option kept the drapery shop as its own program, but operated it only when orders were placed. This option was somewhat problematic because Prison Industries tried to keep the inmates working consistently to maintain their skills. The third option was to close the drapery shop entirely. The fourth option was to contact people in the drapery industry to see if they were interested in running the drapery shop from LCC. Prison Industries reached out to a couple of its customers to see if there was any interest in taking on the drapery shop, and there was none. The fifth option would be to leave the drapery shop as is, which was not a sustainable option.

Mr. Connett favored the first option, which consolidated the drapery shop with the garment factory.

Assemblyman Hardy confirmed that this option would ensure the two programs worked together rather than covering the losses of the drapery shop. The combined program would utilize the labor force, and maximize the usage of the facility. Mr. Connett said that was correct. The programs would be able to make use of each other's equipment

to expand the product line. The drapery program would be a product line just like shirts and pants were a product line of the garment factory.

Chair Parks observed that it was a positive move to relocate the drapery factory to LCC. He thought it was a good use of the facility. He asked if the accounting would be handled similarly to that of the furniture and metal shop. Mr. Connett said the drapery shop would be eliminated as a financial statement. We would have the ability to provide the Committee with a statement that would show the impact. Silver State Industries could provide the Committee with a consolidated statement as done with the furniture and metal shop.

Mr. Puliz asked if the overhead costs would change by combining the two industries. Mr. Connett responded the industry would still have the overhead costs associated with the two buildings and security. The actual labor costs may go down as the seven drapery inmates would be used as needed.

MR. CONWAY MOVED TO RECOMMEND TO CONSOLIDATE THE GARMENT SHOP AND DRAPERY SHOP INTO ONE OPERATION.

MR. SMITH SECONDED THE MOTION, THE MOTION CARRIED UNANIMOUSLY.

Tim Bryant, Ranch Manager, Prison Industries, Nevada Department of Corrections, shared with the Committee the success it has with its horse adoption program. The program had been in existence since 2000. Since that time, there had been approximately 900 horses adopted by the public, federal agencies state agencies, and military. There was many interesting concepts that were being studied in terms of adopting out more horses.

He continued, the value of what the program does for the inmates was remarkable. The recidivism rate was significantly lower with the inmates that had gone through the program versus inmates without a job. The next adoption would take place at the Gardnerville fairgrounds. The ranch would be taking ten horses and ten inmates to compete in four different events over a three day period. The adoption would be August 2, 2014. Typically there was about 300 people in attendance for the event.

Mr. Connett identified several pieces of equipment the ranch needed including a goose neck flatbed trailer, a cattle chute, a crop carrier bed, and a chill water system tank.

Mr. Bryant explained the chill tank would be for the processing room, as the existing tank was about 20 years old. The tank was tested by the Dairy Commission and it had to be sanitary because it was used in the pasteurization of milk. Mr. Bryant was not opposed to purchasing used equipment because used harvest equipment was only used during harvest time, which was about six months out of the year. The inmates could also learn how to repair the equipment.

According to Mr. Bryant, Prison Industries owned a small beef herd. There was about 400 acres along the river to let the cows roam for about eight months out of the year. The intention was to triple the beef herd to capitalize in the next few years of marketing the steers.

Mr. Connett said he handed out a USA Today article (Exhibit C) regarding the special military forces being retrained to operate on horseback. The horses were being used in Afghanistan, which allowed troops to travel to remote areas. According to the article, the horses were trained at Northern Nevada Correctional Center (NNCC) by the inmates.

Mr. Connett invited all the members of the Committee to visit the industries.

Assemblyman Hardy asked how much could the horse program expand. He just recently attended the Bureau of Land Management (BLM) meeting where they discussed the fact that there were over 1,000 horses in horse free zones in Lincoln County. They further estimated that there could be as many as 10,000 horses state wide in horse free zones. There was going to be a lot of pressure for the BLM to resolve this issue. Mr. Connett responded they had looked at expanding the program to other areas, such as Lovelock Correctional Center. Prison Industries does not have enough water to provide for another 1,000 horses at NNCC. Mr. Bryant included that they had expanded the operation at the ranch three times in the last six years. He thought the wild horse numbers would continue to grow and be a problem in the future. There was an environmental issue when you take on that many horses in a small confined area. Prison Industries operated under a permit from the Nevada Division of Environmental Protection. It has to be careful to not contaminate the ground water.

Chair Parks mentioned that he read an article in the Review Journal that stated the BLM did not have the funds to round up more wild horses. He wondered if the revenue received for the horse program would be impacted. Mr. Bryant had a good working relationship with the BLM. He was in constant contact to make sure the funds were available. Mr. Connett was confident that BLM would continue to fund the program.

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

Mr. Connett summarized for the Committee potential Prison Industry programs. As mentioned earlier, they were looking at possibly the tire recapping industry. The department had been approached to produce medical marijuana. He has also been approached twice to implement call centers. Inmates were not allowed to be employed by call centers according to Nevada law. There were a number of other states that had inmates work at the call centers. The statute that prohibit inmates in Nevada from working at call centers had been in place for a long time. The technology had changed to where the inmates would not know who they were calling, as the telephone system would auto dial. The inmate would take no personal or financial information from the caller.

Assembly Hardy asked if Prison Industries was compiling an analysis of what jobs the inmates obtained after they were released. When he heard about a call center he questioned if that would help the inmate obtain a job upon his release. Mr. Connett said there were many call centers in Las Vegas. There would be an employment available to the inmate.

Mr. Aguilera said his company at the MGM Resorts had major call centers to handle the reservations for the hotel, restaurant and shows. There was a need for employees.

Chair Parks said we talked about the state cost allocation, had that been reviewed in recent years. Mr. Connett said those allocations were established by the Department of Administration.

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division, confirmed the amounts were created by the Department of Administration. The department looked at the internal services that were provided to the state over a three year period and averaged those expenses to budget the cost allocation expenditures for the next two-year cycle. Chair Parks asked if there was a chance to challenge the allocation. Ms. Coffman said there had been instances where state agencies had questioned its statewide allocations as well as its attorney general cost allocation, however, these were typically not changed unless a mathematical error occurred. There were actuaries that come up with the allocation in conjunction with the Attorney General's Office and the Department of Administration.

Senator Kieckhefer said he had been approached by a constituent that owned a production company in northern Nevada and was interested in exploring the possibility of utilizing the Nevada State Prison as a site location for filming movies. He asked who he should contact. Mr. Connett said the Nevada Film Office should be contacted so it could vet the company before the film maker was referred to the NDOC.

XI. PUBLIC COMMENT

There was no public comment.

XII. ADJOURNMENT

The meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Cheryl Harvey, Committee Secretary

APPROVED:

Senator David Parks

Date: _____

IV.

REVIEW THE NEVADA DEPARTMENT OF CORRECTIONS' RESPONSE TO THE 2013 MONEY COMMITTEES' LETTER OF INTENT REGARDING THE PRISON INDUSTRIES' MISCELLANEOUS SALES AND RETAINED EARNINGS FOR THE QUARTER ENDING JUNE 30, 2014, AND THE QUARTER ENDING SEPTEMBER 30, 2014.

**Board of State
Prison Commissioners**

BRIAN SANDOVAL
Governor
CATHERINE CORTEZ MASTO
Attorney General
ROSS MILLER
Secretary of State



STATE OF NEVADA DEPARTMENT OF CORRECTIONS



Silver State Industries
3955 W Russell Rd
Las Vegas, NV 89118
(702) 486-9991 phone
(702) 486-9908 fax

BRIAN SANDOVAL
Governor

JAMES G. COX
Director

Re: Response to the Money Committee's letter of intent

Miscellaneous sales and retained earnings for Prison Industries are as follows:

Fiscal year 2014's fourth quarter incorporated the time period of April 1 through June 30, 2014. Total miscellaneous sales for Prison Industries' budget account 3719 came to \$781,073. Retained earnings for that budget account were approximately \$871,113 on June 30, 2014.

The Ranch's budget account 3727 earned \$161,445 in miscellaneous sales for the same period. The Ranch's retained earnings as of June 30, 2014, were approximately \$678,825.

As always, our team is looking for business and sales opportunities, in addition to inmate work opportunities, to compliment Prison Industries.

**Board of State
Prison Commissioners**

BRIAN SANDOVAL
Governor
CATHERINE CORTEZ MASTO
Attorney General
ROSS MILLER
Secretary of State



STATE OF NEVADA DEPARTMENT OF CORRECTIONS



BRIAN SANDOVAL
Governor

JAMES G. COX
Director

Silver State Industries
3955 W Russell Rd
Las Vegas, NV 89118
(702) 486-9991 phone
(702) 486-9908 fax

Fiscal year 2015's first quarter encompasses the dates July 1 through September 30, 2014. For that time period, total miscellaneous sales for Prison Industries' budget account 3719 came to \$971,697. On September 30, 2014, the projected retained earnings balance for that budget account was approximately \$948,908.

The Ranch's budget account 3727 earned \$153,713 in miscellaneous sales for July 1 through September 30, 2014. The Ranch's projected retained earnings balance as of September 30, 2014, was approximately \$707,981.

Prison Industries has continued to pursue sales leads and look for other opportunities to contribute to our bottom line.

REVIEW THE NUMBER OF INMATES THAT WORKED JULY 2011
THROUGH SEPTEMBER 2014

NDOC Industrial Programs Report of Inmates Working		FY 2012												
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2012 MO. AVG
ESP/LCC	Drapery	20	11	15	15	15	15	17	18	15	16	18	17	16
HDSP	Alpine Steel (private)	6	12	16	21	22	22	19	18	22	15	16	13	17
HDSP	DMD (private)	74	72	72	72	60	59	63	69	65	66	63	65	67
LCC	Garment	64	71	74	74	65	68	71	70	36	63	64	62	65
NNCC	Metal	23	22	19	19	17	20	6	16	16	15	13	19	17
NNCC	Ranch	34	27	27	27	27	21	23	23	24	25	25	25	26
NNCC	Furniture	37	49	38	38	25	54	50	57	59	41	45	49	45
LCC	Mattress	18	21	21	21	21	20	21	19	20	19	15	16	19
NSP	Tag Plant	13	14	14	14	14	13	13	13	13	12	-	-	11
NNCC	Printing/Book Bindery	29	22	20	20	20	18	17	17	17	20	20	23	20
SDCC	Auto/Upholstery	30	30	30	30	27	30	27	32	33	29	30	29	30
ISCC	M-Truss (community)	11	10	6	6	-	-	4	-	9	11	-	-	5
SDCC	DMD (private)	1	-	-	-	-	4	-	-	1	2	-	-	1
SDCC	Opportunity Village													
FMWCC	Jacobs Trading (private)	41	42	41	41	41	39	39	43	48	41	40	38	41
NNCC	Horses	23	18	18	18	22	23	18	16	19	19	17	14	19
WSCC	DMD (private)	13	13	12	12	12	12	12	12	12	12	10	8	12
Grand Total		437	434	423	428	388	418	400	423	409	406	376	378	410
Average Inmate Population		12,626	12,598	12,584	12,548	12,478	12,477	12,555	12,516	12,460	12,437	12,486	12,564	12,527
Percent of Inmate Population Employed		3.5%	3.4%	3.4%	3.4%	3.1%	3.4%	3.2%	3.4%	3.3%	3.3%	3.0%	3.0%	3.3%

NDOC Industrial Programs Report of Inmates Working		FY 2013												
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2013 MO. AVG
ESP/LCC	Drapery	16	19	18	16	17	16	16	13	10	30	24	40	20
HDSP	Alpine Steel (private)	13	13	15	15	15	15	-	-	-	-	-	-	7
HDSP	DMD (private)	100	99	98	100	101	99	124	127	125	125	125	125	112
LCC	Garment	57	66	78	85	92	78	82	82	82	75	57	73	76
NNCC	Metal	18	15	23	20	13	13	12	15	20	14	17	18	17
NNCC	Ranch	26	25	24	24	23	24	21	23	27	26	27	27	25
NNCC	Furniture	38	34	43	41	32	29	50	29	37	31	42	55	38
LCC	Mattress	15	20	21	14	-	11	11	10	10	10	10	11	12
NSP	Tag Plant	12	8	7	12	10	9	8	8	8	13	13	12	10
NNCC	Printing/Book Bindery	25	25	25	26	26	28	28	27	32	34	28	27	28
SDCC	Auto/Upholstery	29	29	24	24	26	25	25	23	23	22	22	24	25
ISCC	M-Truss (community)	-	11	10	10	9	-	4	4	4	4	8	-	5
SDCC	DMD (private)	-	-	-	-	58	45	45	-	-	-	-	-	12
SDCC	Opportunity Village	33	49	19	28	18	55	55	66	57	55	48	48	44
FMWCC	Jacobs Trading (private)	38	46	46	47	48	47	47	47	47	47	43	44	46
NNCC	Horses	16	17	16	17	20	24	21	20	20	18	20	19	19
WSCC	DMD (private)	8	8	8	8	7	7	7	7	8	10	10	10	8
Grand Total		444	484	475	487	515	525	556	501	510	514	494	533	503
Average Inmate Population		12,543	12,625	12,646	12,619	12,565	12,535	12,562	12,586	12,643	12,665	12,650	12,644	12,607
Percent of Inmate Population Employed		3.5%	3.8%	3.8%	3.9%	4.1%	4.2%	4.4%	4.0%	4.0%	4.1%	3.9%	4.2%	4.0%

NDOC Industrial Programs Report of Inmates Working		FY 2014												
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY 2014 MO. AVG
ESP/LCC	Drapery	23	21	21	32	20	22	21	26	25	25	26	25	24
HDSP	Alpine Steel (private)	-	-	-	-	-	-	-	-	-	-	-	-	-
HDSP	DMD (private)	125	123	120	124	122	135	135	138	141	142	134	128	131
LCC	Garment	72	77	71	76	67	67	69	67	67	76	74	75	72
NNCC	Metal	17	16	18	21	16	20	18	13	16	17	17	17	17
NNCC	Ranch	28	26	25	26	25	23	23	21	17	19	21	22	23
NNCC	Furniture	42	38	38	22	47	41	38	31	38	38	35	38	37
LCC	Mattress	11	11	12	12	12	12	12	12	12	12	12	12	12
NSP	Tag Plant	12	12	12	12	13	13	13	12	12	12	11	11	12
NNCC	Printing/Book Bindery	28	27	26	25	24	23	23	24	24	24	24	25	25
SDCC	Auto/Upholstery	22	35	25	24	23	25	25	25	21	26	23	23	25
ISCC	M-Truss (community)	-	-	-	-	-	-	-	4	4	3	3	3	1
SDCC	DMD (private)	-	-	-	-	14	23	28	35	32	34	32	35	19
SDCC	Opportunity Village	43	35	45	44	42	29	23	21	20	25	25	24	31
FMWCC	Jacobs Trading (private)	42	48	47	47	48	49	62	62	59	58	57	61	53
NNCC	Horses	20	17	18	16	22	25	21	24	27	27	26	26	22
WSCC	DMD (private)	9	9	9	9	9	9	7	5	7	7	7	6	8
Grand Total		494	495	487	490	504	516	518	520	522	545	527	531	512
Average Inmate Population		12,713	12,790	12,740	12,808	12,808	12,745	12,699	12,680	12,691	12,763	12,756	12,785	12,748
Percent of Inmate Population Employed		3.9%	3.9%	3.8%	3.8%	3.9%	4.0%	4.1%	4.1%	4.1%	4.3%	4.1%	4.2%	4.0%

REVIEW THE DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD,
THE PRISON INDUSTRY CAPITAL IMPROVEMENT FUND, AND
THE VICTIMS OF CRIME FUND – FY 2013, FY 2014 AND
FY 2015 YEAR-TO-DATE

NEVADA DEPARTMENT OF CORRECTIONS
Prison Industries Payroll Assessments

	FY 2013				FY 2014				FY 2015 YTD September 30, 2014			
	(a) R & B	(b) PICI	(c) VCF	TOTAL	(a) R & B	(b) PICI	(c) VCF	TOTAL	(a) R & B	(b) PICI	(c) VCF	TOTAL
Northern Nevada Correctional Ctr.	54,636	11,150	11,150	76,936	56,132.00	11,456	11,456	79,044	14,841	3,029	3,029	20,899
Stewart Conservation Camp	41,776	8,526	8,526	58,828	45,275	9,240	9,240	63,755	11,790	2,406	2,406	16,602
Lovelock Correctional Ctr.	60,241	12,294	12,294	84,829	51,521	10,514	10,514	72,549	15,821	3,229	3,229	22,279
Florence McClure Womens Correctional Ctr.	147,919	30,188	30,188	208,295	199,502	40,715	40,715	280,932	51,710	10,553	10,553	72,816
Southern Desert Correctional Ctr.	30,669	6,259	6,259	43,187	30,433	6,211	6,211	42,855	9,079	1,853	1,853	12,785
Warm Springs Correctional Ctr.	3,295	672	672	4,639	2,693	550	550	3,793	562	115	115	792
Three Lakes Valley Conservation Camp	6,906	1,409	1,409	9,724	761	155	155	1,071	357	72	72	501
High Desert State Prison	86,368	17,626	17,626	121,620	50,501	10,306	10,306	71,113	7,822	1,596	1,596	11,014
Ely State Prison	0	0	0	0	0	0	0	0	0	0	0	0
Total	\$431,810	\$88,124	\$88,124	\$608,058	\$436,818	\$89,147	\$89,147	\$615,112	\$111,982	\$22,853	\$22,853	\$157,688

(a) Room and Board (R & B)

Twenty-four and one-half percent of the inmate's 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 the inmates gross wages are assessed for capital projects to house new or expanded Prison Industry programs.

(c) Victims of Crime Fund (VCF)

Five percent of the inmate's gross wages are assessed for the Fund for Compensation of Victims of Crime.

STATUS OF FUND FOR NEW CONSTRUCTION OF FACILITIES FOR
PRISON INDUSTRIES – NRS 209.192

NRS 209.192 Fund for New Construction of Facilities for Prison Industries.

1. There is hereby created in the State Treasury a Fund for New Construction of Facilities for Prison Industries as a capital projects fund. The Director shall deposit in the Fund the deductions made pursuant to paragraph (c) of subsection 1 or paragraph (b) of subsection 2 of [NRS 209.463](#). The money in the Fund must only be expended to house new industries or expand existing industries in the industrial program to provide additional employment of offenders or for any other purpose authorized by the Legislature. The money in the Fund must not be expended for relocating an existing industry in the industrial program unless the existing industry is being expanded to provide additional employment of offenders.

2. Before money in the Fund may be expended for construction, the Director shall submit a proposal for the expenditure to the State Board of Examiners. Upon making a determination that the proposed expenditure is appropriate and necessary, the State Board of Examiners shall recommend to the Interim Finance Committee, or the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means when the Legislature is in general session, that the expenditure be approved. Upon approval of the appropriate committee or committees, the money may be so expended.

3. The interest and income earned on the money in the Fund, after deducting any applicable charges, must be credited to the Fund.

(Added to NRS by [1991, 1586](#); A [1993, 422](#); [1995, 2591](#); [1997, 3177](#); [2001, 2391](#); [2010, 26th Special Session, 5](#))

FUND FOR NEW CONSTRUCTION OF FACILITIES FOR PRISON INDUSTRIES
Historical Revenues and Expenditures for FY 2012 through FY 2015 YTD

	FY 2012	FY 2013	FY 2014	FY 2015 YTD 10/24/14
<i>Beginning Balance:</i>	\$235,168	\$308,619	\$373,827	\$467,938
Revenue:				
Inmate Wage Assessments:	\$73,419	\$91,420	\$93,385	\$16,363
Interest Income:	\$32	\$221	\$726	\$0
<i>Total Revenue:</i>	\$73,451	\$91,641	\$94,111	\$16,363
Expenditures:	\$0	\$26,433	\$0	\$0
Transfer to General Fund:				
<i>Ending Balance:</i>	\$308,619	\$373,827	\$467,938	\$484,301

STATUS REPORT ON OUTSTANDING DEBT OWED TO PRISON INDUSTRIES

Silver State Industries

Page: 1

AR Customer Aging by Due Date (Summary)

Report Date: 10/27/14

Cust ID	Customer Name	Days Old					Balance	Unapplied	Net Due
		0 - 30 09/27 - 10/27	31 - 60 08/28 - 09/26	61 - 90 07/29 - 08/27	91 - 120 06/29 - 07/28	121 + all prior - 06/28			
BR1043	BRISTLECONE CONVENTION	\$256.40	\$0.00	\$0.00	\$0.00	\$0.00	\$256.40	\$0.00	\$256.40
CA1014	CARSON CITY MUNICIPAL	\$4,538.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,538.00	\$0.00	\$4,538.00 *
CA1025	CARSON JUVENILE CENTER	\$331.50	\$0.00	\$0.00	\$0.00	\$0.00	\$331.50	\$0.00	\$331.50
DE1000	DEC-ART DESIGNS INC	\$58.44	\$0.00	\$0.00	\$0.00	\$0.00	\$58.44	\$0.00	\$58.44
DI1025	DIAMOND MOUNTAIN	\$35,404.86	\$0.00	\$0.00	\$0.00	\$0.00	\$35,404.86	\$0.00	\$35,404.86 *
DO1001	DOUGLAS COUNTY HUMAN	\$88.50	\$0.00	\$0.00	\$0.00	\$0.00	\$88.50	\$0.00	\$88.50
DO1002	DOUGLAS CO ADMINISTRATIVE	\$1,719.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,719.00	\$0.00	\$1,719.00
EA1020	EASTERN STAR GRAND	\$0.00	\$100.00	\$0.00	\$0.00	\$0.00	\$100.00	\$0.00	\$100.00
EM1006	EMPLOYEES'ASSN- SDCC &	\$36.00	\$132.00	\$0.00	\$0.00	\$0.00	\$168.00	\$0.00	\$168.00
FE1010	FERNLEY JUSTICE COURT	\$31.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31.00	\$0.00	\$31.00
FE1020	FERGUSON SAFETY	\$1,586.76	\$0.00	\$0.00	\$0.00	\$0.00	\$1,586.76	(\$2,156.00)	(\$569.24)
LY1000	LYON COUNTY SHERIFF'S	\$45.75	\$0.00	\$0.00	\$0.00	\$0.00	\$45.75	\$0.00	\$45.75
LY1002	LYON COUNTY SCHOOL	\$907.00	\$222.13	\$0.00	\$0.00	\$0.00	\$1,129.13	(\$1.00)	\$1,128.13
LY1018	LYON CO HUMAN SERVICES	\$50.50	\$50.50	\$0.00	\$0.00	\$0.00	\$101.00	\$0.00	\$101.00
LY1030	LYON COUNTY ASSESSOR	\$89.50	\$0.00	\$0.00	\$0.00	\$0.00	\$89.50	\$0.00	\$89.50
MA1012	BILL MAGEE	\$3,460.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,460.00	(\$6,920.00)	(\$3,460.00)
MI1020	OFFICE OF THE MILITARY	\$256.00	\$0.00	\$0.00	\$0.00	\$0.00	\$256.00	\$0.00	\$256.00
MR1000	MR BOXER ATTN: JIM RATHNER	\$1,911.64	\$0.00	\$0.00	\$0.00	\$0.00	\$1,911.64	\$0.00	\$1,911.64 *
NO1005	NORTHAMERICAN AG	\$159.60	\$0.00	\$0.00	\$0.00	\$0.00	\$159.60	\$0.00	\$159.60
OP1020	OPPORTUNITY VILLIAGE ARC	\$8,236.80	\$0.00	\$0.00	\$0.00	\$0.00	\$8,236.80	\$0.00	\$8,236.80
UN1000	UNIVERSITY OF NV LAS VEGAS	\$0.00	\$128.00	\$0.00	\$0.00	\$0.00	\$128.00	\$0.00	\$128.00
UN1002	UNR ASUN	\$219.00	\$0.00	\$0.00	\$0.00	\$0.00	\$219.00	\$0.00	\$219.00
VA1003	VARIOUS CUSTOMERS-COD	\$1,640.91	\$50.00	\$0.00	\$35.00	\$274.00	\$1,999.91	(\$898.08)	\$1,101.83
WE1009	WESTERN NEVADA COLLEGE	\$153.30	\$0.00	\$0.00	\$0.00	\$0.00	\$153.30	\$0.00	\$153.30
WI1002	WITTENBERG HALL	\$507.00	\$0.00	\$0.00	\$0.00	\$0.00	\$507.00	\$0.00	\$507.00
WO1035	WORLD CLASS EQUINE	\$5,471.90	\$0.00	\$0.00	\$0.00	\$0.00	\$5,471.90	\$0.00	\$5,471.90 *
YY1006	NDOC ADMIN INMATE	\$209.39	\$0.00	\$0.00	\$0.00	\$0.00	\$209.39	\$0.00	\$209.39
YY1009	EMPLOYEE DEVELOPMENT	\$125.00	\$0.00	\$0.00	\$0.00	\$0.00	\$125.00	\$0.00	\$125.00
YY1011	ELY STATE PRISON	\$69.00	\$0.00	\$0.00	\$0.00	\$0.00	\$69.00	\$0.00	\$69.00
YY1017	LOVELOCK CORR CTR	\$1,820.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,820.00	\$0.00	\$1,820.00
YY1020	JEAN CONSERVATION CAMP	\$377.50	\$0.00	\$0.00	\$0.00	\$0.00	\$377.50	\$0.00	\$377.50
YY1027	LOVELOCK CORR CTR-	\$619.00	\$0.00	\$0.00	\$0.00	\$0.00	\$619.00	\$0.00	\$619.00
YY1029	NO NV CORRECTIONAL CTR	\$18,972.45	\$17,865.00	\$0.00	\$0.00	\$0.00	\$36,837.45	\$0.00	\$36,837.45 *
YY1036	CARLIN CONSERVATION CMP-	\$112.00	\$0.00	\$0.00	\$0.00	\$0.00	\$112.00	\$0.00	\$112.00
YY1040	CASA GRANDE TRANSITIONAL	\$38.25	\$0.00	\$0.00	\$0.00	\$0.00	\$38.25	\$0.00	\$38.25
YY1041	NORTHERN NV RESTITUTION	\$344.00	\$0.00	\$0.00	\$0.00	\$0.00	\$344.00	\$0.00	\$344.00
YY1045	WARM SPRINGS	\$7,194.10	\$0.00	\$0.00	\$0.00	\$0.00	\$7,194.10	\$0.00	\$7,194.10 *
YY1046	HUMBOLDT CC CANTEEN	\$112.00	\$0.00	\$0.00	\$0.00	\$0.00	\$112.00	\$0.00	\$112.00

Cust ID	Customer Name	09/27 - 10/27	08/28 - 09/26	07/29 - 08/27	06/29 - 07/28	all prior - 06/28	Balance	Unapplied	Net Due
YY1051	SO DESERT CORR CTR	\$2,922.93	\$0.00	\$0.00	\$0.00	\$0.00	\$2,922.93	\$0.00	\$2,922.93 *
YY1057	STEWART CONSERVATION CAMP	\$225.00	\$0.00	\$0.00	\$0.00	\$0.00	\$225.00	\$0.00	\$225.00
YY1070	HIGH DESERT STATE PRISON	\$1,354.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,354.00	\$0.00	\$1,354.00
YY1075	WARM SPRINGS CC/CANTEEN	\$184.50	\$0.00	\$0.00	\$0.00	\$0.00	\$184.50	\$0.00	\$184.50
YY1120	ELY STATE PRISON CANTEEN	\$814.00	\$0.00	\$0.00	\$0.00	\$0.00	\$814.00	\$0.00	\$814.00
YY1135	NDOC INMATE PURCHASES	\$75.00	\$7.50	\$0.00	\$0.00	\$0.00	\$82.50	\$0.00	\$82.50
ZZ1035	ECONOMIC DEVELOPMENT	\$67.50	\$0.00	\$0.00	\$0.00	\$0.00	\$67.50	\$0.00	\$67.50
ZZ1089	LEGISLATIVE COUNSEL	\$4,278.98	\$0.00	\$0.00	\$0.00	\$0.00	\$4,278.98	\$0.00	\$4,278.98 *
ZZ1097	N NV ADULT MENTAL HEALTH	\$866.00	\$0.00	\$0.00	\$0.00	\$0.00	\$866.00	\$0.00	\$866.00
ZZ1148	NEVADA STATE WELFARE &	\$385.00	\$0.00	\$0.00	\$0.00	\$0.00	\$385.00	\$0.00	\$385.00
ZZ1153	DIVISION OF WILDLIFE	\$3,725.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,725.00	\$0.00	\$3,725.00 *
ZZ1203	AGRICULTURE ESTRAY HORSE	\$4,063.50	\$0.00	\$0.00	\$0.00	\$0.00	\$4,063.50	\$0.00	\$4,063.50 *
ZZ1217	DIVISION OF WILDLIFE	\$660.00	\$0.00	\$0.00	\$0.00	\$0.00	\$660.00	\$0.00	\$660.00
ZZ1500	NEVADA 150 COMMITTEE	\$142.00	\$0.00	\$0.00	\$0.00	\$0.00	\$142.00	(\$1,466.15)	(\$1,324.15)
AGING TOTALS:		<u>\$116,915.46</u>	<u>\$18,555.13</u>	<u>\$0.00</u>	<u>\$35.00</u>	<u>\$274.00</u>	<u>\$135,779.59</u>	<u>(\$11,441.23)</u>	<u>\$124,338.36</u>

AGING PERCENTAGES:	86.11%	13.67%	0.00%	0.03%	0.20%	100.00%
--------------------	--------	--------	-------	-------	-------	---------

TOTAL AGING BALANCE: \$135,779.59

TOTAL PAYMENTS ON ACCOUNT: (\$11,441.23)

REPORT BALANCE: \$124,338.36

Please note: Report does not include Alpine Steel

* Indicates top ten balances due.

IX.

**DISCUSSION OF OTHER POTENTIAL PRISON INDUSTRY PROGRAMS AND
COMMITTEE RECOMMENDATIONS (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, review the proposed program for compliance with the requirements of subsections 2, 3, 4 and 7 of [NRS 209.461](#) and submit to the Director its recommendations concerning the proposed program; and
 - (g) Review each state-sponsored industry program established pursuant to subsection 2 of [NRS 209.461](#) to determine whether the program is operating profitably. If the Committee determines that a program has incurred a net loss in 3 consecutive fiscal years, the Committee shall report its finding to the Director with a recommendation regarding whether the program should be continued or terminated. If the Director does not accept the recommendation of the Committee, the Director shall submit a written report to the Committee setting forth his or her reasons for rejecting the recommendation.
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.
3. As used in this section, "state-sponsored industry program" means a program for the vocational training or employment of offenders which does not include a contract of employment with a private employer.

(Added to NRS by [2001, 2391](#); A [2007, 68](#); [2013, 1806](#))

REVIEW SILVER STATE INDUSTRIES' FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDING
JUNE 30, 2014
WITH COMPARATIVE JUNE 30, 2013
FINANCIAL STATEMENTS**

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

TABLE OF CONTENTS

	Page
Consolidated Balance Sheet	1
Consolidated Statements of Operations (With Interfund Sales Eliminated)	2
Consolidated Statements of Operations (by Budget Account with Interfund Sales Eliminated)	3
Consolidated Statements of Changes in Retained Earnings	4
Consolidated Statements of Cash Flows	5
Statements of Operations:	
Central Administration	6
NNCC Mattress	8
NNCC Print/Bindery	9
NNCC Furniture and Metal	10
SDCC Auto and Upholstery	11
LCC Garment	12
LCC Drapery	13
Prison Ranch	14
Schedule of Interfund Sales	16
Notes	18

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED BALANCE SHEETS**
As of June 30, 2014 and 2013

ASSETS		2014	2013
Current Assets:			
Cash - Unrestricted (Note 1f)			
Prison Industries	\$ 871,213		\$ 724,239
Prison Ranch	678,825		573,528
Total Unrestricted Cash		<u>\$ 1,550,038</u>	<u>1,297,767</u>
Accounts Receivable (Note 8)	1,118,331		1,201,788
Less Allowance for Doubtful Accounts (Note 16)	(6,695)		(2,657)
Net Accounts Receivable		1,111,636	1,199,131
Treasurer's Interest Receivable (Note 12a)		1,749	299
PI Capital Revenue Receivable (Note 13b)		15,210	3,481
Deposits - Business Licenses (Note 6)		15,000	15,000
Livestock (Notes 1c & 7)		252,150	236,930
Inventories (Notes 1b & 3)		637,342	715,736
Harvested Crops (Note 1c)		291,042	312,539
Total Current Assets		<u>2,324,129</u>	<u>2,483,116</u>
Land, land improvements, property and equipment			
at cost (Note 2)	4,001,964		4,016,161
Less accumulated depreciation	(3,281,234)		(3,219,713)
Net Property and Equipment		720,730	796,448
Other Assets:			
Cash - Restricted - PI Capital (Note 1f)	452,306		370,946
Total Other Assets		452,306	370,946
Total Assets		<u><u>\$ 5,047,203</u></u>	<u><u>\$ 4,948,277</u></u>
LIABILITIES AND CAPITAL BALANCE			
Current Liabilities:			
Accounts Payable (Note 9)		\$ 441,145	\$ 598,175
Unearned Revenue (Note 5)		110,711	241,843
Rent and Other Deposits		10,000	10,000
Wages Payable		70,332	58,784
Current Accrued Compensated Absences (Note 11)		102,114	92,834
Total Current Liabilities		<u>734,302</u>	<u>1,001,636</u>
Long-Term Liabilities:			
Accrued Compensated Absences (Note 11)		98,060	87,457
Total Long-Term Liabilities		<u>98,060</u>	<u>87,457</u>
Total Liabilities		832,362	1,089,093
Capital:			
Contributed Capital	\$ 2,193,440		2,193,440
Retained Earnings	2,021,401		1,665,744
Total Capital		<u>4,214,841</u>	<u>3,859,184</u>
Total Liabilities and Capital Balance		<u><u>\$ 5,047,203</u></u>	<u><u>\$ 4,948,277</u></u>

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(With Interfund Sales Eliminated)
For the year ending June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue from Operations:		
Industry Sales	\$ 2,247,352	\$ 2,384,291
Less Cost of Sales	<u>(1,596,415)</u>	<u>(1,730,902)</u>
Gross Profit from Industry sales	\$ 650,937	<u>653,389</u>
Ranch Sales	2,682,589	2,689,748
Less Cost of Sales	<u>(1,957,424)</u>	<u>(1,901,502)</u>
Gross Profit from Ranch sales	<u>725,165</u>	<u>788,246</u>
Industry Freight	245	(5,186)
General Manufacturing Expenses:	<u>(1,090,191)</u>	<u>(1,134,566)</u>
Net Income from Operations:	286,156	301,883
General and Administrative Expenses:	(921,926)	(832,393)
Other Income and Expenses	<u>991,427</u>	<u>963,147</u>
Net Income (Loss)	<u>\$ 355,657</u>	<u>\$ 432,637</u>

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

By Budget Account

(With Interfund Sales Eliminated)
For the year ending June 30, 2014 and 2013

Budget Account 3719 - Prison Industries

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue from Operations:		
Industry Sales	\$ 2,247,352	\$ 2,384,291
Less Cost of Sales	<u>\$ (1,596,415)</u>	<u>(1,730,902)</u>
Gross Profit from Industry sales	\$ 650,937	653,389
Industry Freight	245	(5,186)
Institutional Overhead Expenses:	<u>(555,853)</u>	<u>(570,575)</u>
Net Income from Operations:	95,329	77,628
General and Administrative Expenses:	(921,926)	(832,393)
Other Income and Expenses	<u>884,783</u>	<u>893,230</u>
Net Income (Loss)	<u>\$ 58,186</u>	<u>\$ 138,465</u>

Budget Account 3727 - Prison Ranch

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue from Operations:		
Ranch Sales	\$ 2,682,589	\$ 2,689,748
Less Cost of Sales	<u>(1,957,424)</u>	<u>(1,901,502)</u>
Gross Profit from Ranch sales	\$ 725,165	788,246
Institutional Overhead Expenses:	(534,338)	(563,991)
Other Income and Expenses	<u>12,533</u>	<u>4,712</u>
Net Income (Loss)	<u>\$ 203,360</u>	<u>\$ 228,967</u>

Budget Account 3728 - P I Capital Projects

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue:		
Inmate Wage Assessments	\$ 93,385	\$ 91,419
Capital Improvements	0	(26,433)
Other Income (Interest)	<u>726</u>	<u>220</u>
Net Income (Loss)	<u>\$ 94,111</u>	<u>\$ 65,206</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED EARNINGS**
For the year ending June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Unreserved Retained Earnings at Beginning of Year	\$ 1,665,744	\$ 1,253,957
Current Period Net Income	355,657	432,637
Prior Period Adjustment		(20,850)
Unreserved Retained Earnings at End of Year	<u>2,021,401</u>	<u>1,665,744</u>
Contributed Capital	<u>2,193,440</u>	<u>2,193,440</u>
Total Fund Equity	<u>\$ 4,214,841</u>	<u>\$ 3,859,184</u>

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

For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30, 2013
Cash Flows From Operating Activities:		
Net Income	\$ 355,657	\$ 432,637
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	106,619	105,332
Decrease (Increase) in Net Accounts Receivable	87,495	(196,824)
Decrease (Increase) in Interest Receivable	(1,450)	(299)
Decrease (Increase) in Prepaid Expenses	-	-
Decrease (Increase) in PI Capital Revenue Receivable	(11,729)	2,515
Increase (Decrease) in Deposits	-	-
Decrease (Increase) in Inventories	84,671	93,263
Increase (Decrease) in Accounts Payable	(157,030)	21,600
Increase (Decrease) in Unearned Revenue	(131,132)	(13,326)
Decrease (Increase) in Rent Deposits	-	-
Increase (Decrease) in Wages Payable	11,548	(4,643)
Increase (Decrease) in Accrued Compensated Absences	19,883	(14,054)
Net Cash Provided by Operating Activities	\$ 364,532	415,633
Net Increase in cash	364,532	415,633
Cash at beginning of year		
Unrestricted	1,297,767	960,738
Restricted	370,946	302,623
Cash at end of period		1,263,361
Unrestricted	1,550,038	1,297,767
Restricted	452,306	370,946
Total Cash at end of period	\$ 2,002,344	\$ 1,668,713

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
CENTRAL ADMINISTRATION
Statements of Operations**

For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	2013
License Plate Fees	\$ 525,565	\$ 524,853
Capital Improvement	<u>93,385</u>	<u>91,419</u>
Rental Income:		
Diamond Mountain Distributors	60,000	47,500
Alpine Steel	-	15,000
Jacob's Trading Company	<u>7,200</u>	<u>7,200</u>
Total Rental Income	67,200	<u>69,700</u>
Administrative Fees: (Net of reimbursements)		
Jacob's Trading Company	52,935	38,835
Miscellaneous Programs	13,327	8,872
Diamond Mountain Distributors	(8,579)	(39,769)
Alpine Steel	-	7,920
Most Wanted	-	(395)
Unreimbursable C/O Costs	-	(18,835)
Prison Ranch	<u>48,000</u>	<u>36,000</u>
Total Administrative Fees	105,683	32,628
Miscellaneous Revenue	<u>-</u>	<u>508</u>
Total Revenue	<u>\$ 791,833</u>	<u>\$ 719,108</u>

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

Statements of Operations

For the year ending June 30, 2014 and 2013

(Continued)

General and Administrative Expenses:	June 30, 2014	2013
Staff Salaries	\$ 392,135	\$ 404,521
Staff Fringe Benefits and other Payroll expenses	189,934	159,107
Travel expenses	4,128	7,948
Rent	53,531	53,751
Miscellaneous Office expenses	2,056	2,633
Telephone	9,675	9,113
Postage and Mailing	867	1,000
Advertising/Public Relations	1,333	23,907
General Insurance	5,811	6,436
Vehicle Operating expenses	3,648	3,404
Dues and Subscriptions	4,311	2,354
Depreciation expense	86,579	86,579
Improvements and Small Equipment	9,554	173
Utilities	3,038	-
Miscellaneous expenses	157,422	94,392
Total General and Administrative Expenses	\$ (924,022)	(855,318)
Net Income from Operations	(132,189)	(136,210)
Other Income (expense)		
CIP Improvements	-	(26,433)
Interest Revenue	3,212	1,351
Finance Charges	468	30,352
Earnings available for program support or (Net Loss)	\$ (128,509)	\$ (130,940)

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

Statements of Operations

For the year ending June 30, 2014 and 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue:		
Sales - Mattress	\$ 300,318	\$ 292,450
Less Cost of Sales:		
Direct Labor	\$ 12,648	9,210
Materials	174,205	167,241
Overhead	<u>26,424</u>	<u>19,946</u>
Total Cost of Sales	<u>(213,277)</u>	<u>(196,397)</u>
Gross Profit	87,041	96,053
Freight Revenues	13,235	14,635
Freight Expenses	<u>(9,252)</u>	<u>(11,194)</u>
Freight (Net of Revenues/Expenses)	<u>3,983</u>	<u>3,441</u>
Contribution to G & A expenses - Mattress	\$ 91,024	\$ 99,494
 General and Administrative Manufacturing Expenses:		
Salaries	17,191	21,378
Fringe Benefits and other Payroll expenses	7,321	7,697
Inmate Labor - Office	5,630	4,751
Inmate Workers' Compensation Insurance	862	381
Travel	19	779
Miscellaneous Office expenses	1,875	1,543
Telephone	98	447
Postage and Mailing	-	30
Dues and Subscriptions	-	1,250
Building & Grounds Improvements	71	63
Utilities	2,561	6,391
Miscellaneous expenses	1,163	2,527
Capitalized Institutional Overhead	<u>(2,781)</u>	<u>633</u>
Total General and Administrative Manufacturing Expenses	<u>(34,010)</u>	<u>(47,870)</u>
Earnings available for program support or (Net Loss)	\$ 57,014	\$ 51,624

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
NNCC PRINTING/BINDERY
Statements of Operations
For the year ending June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
Revenue:		
Sales	\$ 518,913	\$ 522,139
Less Cost of Sales:		
Direct Labor	\$ 27,590	31,261
Materials	250,829	271,752
Overhead	46,640	51,012
Total Cost of Sales	(325,059)	(354,025)
Gross Profit	193,854	168,114
Freight Revenues	14,295	10,463
Freight Expenses	(11,318)	(8,942)
Freight (Net of Revenues/Expenses)	2,977	1,521
Contribution to G & A expenses	\$ 196,831	169,635
 General and Administrative Manufacturing Expenses:		
Salaries	65,845	64,232
Fringe Benefits and other Payroll expenses	20,837	20,179
Inmate Labor - Office	8,680	8,044
Inmate Workers' Compensation Insurance	988	753
Travel	274	(9)
Miscellaneous Office expenses	359	1,014
Telephone	98	125
Advertising/Public Relations	-	25
Commissions	5,568	-
Dues and Subscriptions	617	478
Building & Ground Improvements	10	217
Utilities	6,776	4,686
Miscellaneous expenses	1,507	2,819
Capitalized Institutional Overhead	(628)	34
Warranty expense	-	111
Total General and Administrative Manufacturing Expenses	(110,931)	(102,708)
Earnings available for program support or (Net Loss)	\$ 85,900	\$ 66,927

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
NNCC FURNITURE AND METAL
Statements of Operations**

For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30, 2013
Sales - Furniture	\$ 437,219	\$ 348,502
Less Cost of Sales:		
Direct Labor	\$ 35,476	20,697
Materials	192,355	133,744
Overhead	80,110	106,250
Total Cost of Sales	(307,941)	(260,691)
Gross Profit	129,278	87,811
Freight Revenues	8,412	19,253
Freight Expenses	(11,721)	(14,844)
Freight (Net of Revenues/Expenses)	(3,309)	4,409
Contribution to G & A expenses	\$ 125,969	92,220
 Sales - Metal	 223,221	 248,840
Less Cost of Sales:		
Direct Labor	35,487	30,329
Materials	96,014	143,879
Overhead	61,592	53,517
Total Cost of Sales	(193,093)	(227,725)
Contribution to G & A expenses	\$ 30,128	21,115
 General and Administrative Manufacturing Expenses:		
Salaries	50,824	50,422
Fringe Benefits and other Payroll expenses	27,171	23,866
Inmate Labor - Office	18,009	22,997
Inmate Workers' Compensation Insurance	3,076	2,323
Travel	2,017	1,397
Miscellaneous Office expenses	6,140	4,928
Telephone	196	251
Bond Expense	600	-
Dues and Subscriptions	11	-
Improvements and Small Equipment	3,226	5,709
Building & Grounds Improvements	209	1,606
Utilities	25,396	30,825
Miscellaneous expenses	6,922	7,066
Capitalized Institutional Overhead	11,314	(10,465)
Total General and Administrative Manufacturing Expenses	(155,111)	(140,925)
Earnings available for program support or (Net Loss)	\$ 986	\$ (27,590)

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
SDCC AUTO and UPHOLSTERY
Statements of Operations
For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30, 2013
Sales From Auto/Upholstery	\$ 196,472	\$ 337,978
Less Cost of Sales:		
Direct Labor	\$ 28,238	35,229
Materials	74,567	124,608
Overhead	50,991	57,010
Total Cost of Sales	(153,796)	(216,847)
Gross Profit	42,676	121,131
Contribution to G & A expenses - Auto/Upholstery	\$ 42,676	121,131
 Net Proceeds from Manpower Operations:		
Diamond Mountain Distributors	6,436	5,782
Opportunity Village	176,945	228,275
Contribution to G & A expenses - Manpower Operations	183,381	234,057
 General and Administrative Manufacturing Expenses:		
Salaries	40,101	39,416
Fringe Benefits and other Payroll expenses	26,589	26,266
Inmate Labor - Office	7,604	6,109
Inmate Workers' Compensation Insurance	1,086	889
Miscellaneous Office expenses	4,050	3,975
Telephone	1,129	888
Postage and Mailing	96	483
Bond Expense	200	-
Dues, Subscriptions, and Licenses	355	743
Improvements and Small Equipment	500	-
Building and Grounds Improvements	14	1,512
Utilities	17,147	16,470
Miscellaneous expenses	5,789	4,307
Capitalized Institutional Overhead	15,214	16,153
Warranty expense	6,786	16,917
Total General and Administrative Manufacturing Expenses	(126,660)	(134,128)
Earnings Available for Program Support or (Net Loss)	\$ 99,397	\$ 221,060

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

Statements of Operations

For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30, 2013
Sales	\$ 527,044	\$ 620,425
Less Cost of Sales:		
Direct Labor	\$ 109,270	160,973
Materials	212,199	215,828
Overhead	62,411	53,509
Total Cost of Sales	(383,880)	(430,310)
Gross Profit	143,164	190,115
Freight Revenues	268	21,913
Freight Expenses	(8,872)	(36,936)
Freight (Net of Revenues/Expenses)	(8,604)	(15,023)
Contribution to G & A expenses	\$ 134,560	175,092
 General and Administrative Manufacturing Expenses:		
Salaries	38,149	30,125
Fringe Benefits and other Payroll expenses	23,823	13,991
Inmate Labor - Office	5,983	12,823
Inmate Workers' Compensation Insurance	3,613	3,170
Travel	225	-
Miscellaneous Office expenses	3,058	4,905
Telephone	386	447
Postage and Mailing	266	359
Dues and Subscriptions	103	-
Improvements and Small Equipment	2,396	10,312
Building and Grounds Improvements	138	971
Utilities	7,476	11,176
Miscellaneous expenses	2,790	2,213
Capitalized Institutional Overhead	714	879
Total General and Administrative Manufacturing Expenses	(89,120)	(91,371)
Earnings available for program support or (Net Loss)	\$ 45,440	\$ 83,721

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

Statements of Operations

For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30, 2013
Sales	\$ 81,227	\$ 51,616
Less Cost of Sales:		
Direct Labor	\$ 18,978	25,021
Materials	3,531	7,304
Overhead	26,833	26,374
Total Cost of Sales	(49,342)	(58,699)
Gross Profit	31,885	(7,083)
Freight Revenues	15,418	8,935
Freight Expenses	(10,220)	(8,839)
Freight (Net of Revenues/Expenses)	5,198	96
Contribution to G & A expenses	\$ 37,083	(6,987)
 General and Administrative Manufacturing Expenses:		
Salaries	16,349	12,348
Fringe Benefits and other Payroll expenses	10,210	7,921
Inmate Labor - Office	8,268	5,436
Inmate Workers' Compensation Insurance	1,005	658
Travel	-	155
Miscellaneous Office expenses	2,286	4,561
Telephone	386	316
Postage and Mailing	104	107
Moving Expenses (Bldg improvements & freight)	121	13,305
Utilities	5,589	5,527
Miscellaneous expenses	984	3,811
Capitalized Institutional Overhead	(287)	-
Total General and Administrative Manufacturing Expenses	(45,015)	(54,145)
Earnings available for program support or (Net loss)	\$ (7,932)	\$ (61,132)

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

LCC DRAPERY AND GARMENT COMBINED

Statements of Operations

For the twelve months ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30 2013
Sales - Drapery	\$ 81,227	\$ 51,616
Less Cost of Sales:		
Direct Labor	\$ 18,978	25,021
Materials	3,531	7,304
Overhead	26,833	26,374
Total Cost of Sales	(49,342)	(58,699)
Gross Profit	31,885	(7,083)
Freight Revenues	15,418	8,935
Freight Expenses	(10,220)	(8,839)
Freight (Net of Revenues/Expenses)	5,198	96
Contribution to G & A expenses	\$ 37,083	(6,987)
 Sales - Garment	 527,044	 620,425
Less Cost of Sales:		
Direct Labor	109,270	160,973
Materials	212,199	215,828
Overhead	62,411	53,509
Total Cost of Sales	(383,880)	(430,310)
Gross Profit - Metal	143,164	190,115
Freight Revenues	268	21,913
Freight Expenses	(8,872)	(36,936)
Freight (Net of Revenues/Expenses)	(8,604)	(15,023)
Contribution to G & A expenses	134,560	175,092
 General and Administrative Manufacturing Expenses:		
Salaries	54,498	42,473
Fringe Benefits and other Payroll expenses	34,033	21,912
Inmate Labor - Office	14,251	18,259
Inmate Workers' Compensation Insurance	4,618	3,828
Travel	225	155
Miscellaneous Office expenses	5,344	9,466
Telephone	772	763
Postage and Mailing	370	466
Dues and Subscriptions	103	0
Improvements and Small Equipment	2,396	10,312
Buildings and Grounds Improvements	259	14,276
Utilities	13,065	16,703
Miscellaneous expenses	3,774	6,024
Capitalized Institutional Overhead	427	879
Total General and Administrative Manufacturing Expenses	(134,135)	(145,516)
Earnings available for program support	\$ 37,508	\$ 22,589

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

Statements of Operations

For the year ending June 30, 2014 and 2013

Revenue:	June 30, 2014	June 30, 2013
Revenue - Livestock		
Sales	\$ 133,537	\$ 144,727
Non-Cash Inventory Adjustments	<u>21,222</u>	<u>(16,080)</u>
Total Revenue	\$ 154,759	<u>128,647</u>
Less Cost of Sales:		
Direct Labor	19,551	17,267
Materials	45,997	38,223
Overhead	<u>10,766</u>	<u>10,040</u>
Total Cost of Sales	<u>(76,314)</u>	<u>(65,530)</u>
Contribution to G & A expenses - Livestock	\$ 78,445	<u>63,117</u>
Sales - Dairy	537,849	<u>518,504</u>
Less Cost of Sales:		
Direct Labor	44,693	37,983
Materials	209,259	204,636
Overhead	<u>92,429</u>	<u>92,464</u>
Total Cost of Sales	<u>(346,381)</u>	<u>(335,083)</u>
Contribution to G & A expenses - Dairy	191,468	<u>183,421</u>
Revenue - Crops		
Sales	103,412	303,456
Non-Cash Inventory Adjustments	<u>(21,497)</u>	<u>59,787</u>
Total Revenue	81,915	<u>363,244</u>
Less Cost of Sales:		
Direct Labor	26,691	26,157
Materials	22,072	19,819
Overhead	<u>121,826</u>	<u>105,647</u>
Total Cost of Sales	<u>(170,589)</u>	<u>(151,623)</u>
(Gross Loss) Contribution to G & A expenses - Crops	(88,674)	<u>211,621</u>
Boarding Fees - Estray Horses	24,879	23,822
Less Cost of Sales:		
Direct Labor	-	9,033
Materials	15,502	-
Overhead	<u>-</u>	<u>-</u>
Total Cost of Sales	<u>(15,502)</u>	<u>(9,033)</u>
Contribution to G & A expenses - Estray Horse Boarding	9,377	<u>14,789</u>
Boarding Fees - BLM (Wild) Horses	2,004,903	<u>1,948,337</u>
Less Cost of Sales:		
Direct Labor	54,051	55,893
Materials	1,243,893	1,460,353
Overhead	<u>196,957</u>	<u>143,484</u>
Total Cost of Sales	<u>(1,494,901)</u>	<u>(1,659,730)</u>
Contribution to G & A expenses - BLM Wild Horse Boarding	510,002	<u>288,607</u>
Composting Project	41,877	<u>48,454</u>
Less Cost of Sales:		
Direct Labor	17,330	21,763
Overhead	<u>-</u>	<u>-</u>
Total Cost of Sales	<u>(17,330)</u>	<u>(21,763)</u>
Contribution to G & A expenses - Composting Project	\$ 24,547	<u>\$ 26,691</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
PRISON RANCH
Statements of Operations**
For the year ending June 30, 2014 and 2013
(Continued)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
General and Administrative Ranch Expenses:		
Salaries - Staff	\$ 244,876	\$ 271,554
Fringe Benefits and other Payroll expenses	88,900	102,206
Inmate Labor - Office	22,479	11,451
Inmate Workers' Compensation Insurance	4,086	2,635
Travel expenses	311	-
Miscellaneous Office expenses	1,965	2,211
Telephone	98	125
Postage and Mailing	28	17
Advertising/Public Relations	763	386
Insurance	6,783	6,417
Dues and Subscriptions	33	50
Building and Grounds Improvements	20,747	29,584
Utilities	69,798	73,165
Miscellaneous expenses	25,471	28,190
Administration Fees	48,000	36,000
Total General and Administrative Manufacturing Expenses	\$ (534,338)	\$ (563,991)
Other Income - Excess Property Sales	<u>12,533</u>	<u>\$ 4,712</u>
Earnings available for program support or (Net loss)	<u>\$ 203,360</u>	<u>\$ 228,967</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
SCHEDULE OF INTERFUND SALES**

For the year ending June 30, 2014 and 2013

	PER STATEMENTS OF OPERATIONS	INTERFUND SALES	AFTER REMOVING INTERFUND SALES	
	June 30, 2014			June 30, 2013
Revenue:				
Industry Sales	\$ 2,284,414	\$ (37,062)	\$ 2,247,352	\$ 2,384,291
Less Cost of Sales	<u>(1,626,388)</u>	<u>29,974</u>	<u>(1,596,415)</u>	<u>(1,730,902)</u>
Gross Profit from Industry Sales	<u>658,026</u>	<u>(7,088)</u>	\$ 650,937	\$ 653,389
Ranch Sales	2,846,182	(163,593)	2,682,589	2,689,748
Less Cost of Sales	<u>(2,121,017)</u>	<u>163,593</u>	<u>(1,957,424)</u>	<u>(1,901,502)</u>
Gross Profit from Ranch Sales	725,165	(0)	725,165	788,246
Freight (Net of Revenues/Expenses)	<u>245</u>		<u>245</u>	<u>(5,186)</u>
General Manufacturing Expenses:				
Staff Salaries	473,335		473,335	489,475
Staff Fringe Benefits and other Payroll expenses	204,851		204,851	202,126
Inmate Labor	76,653		76,653	71,611
Inmate Worker's Compensation Ins.	14,716		14,716	10,809
Travel expenses	2,846		2,846	2,322
Commissions	5,568		5,568	-
Office expenses	19,733	(1,726)	18,007	22,721
Telephone	2,391		2,391	2,599
Postage and Mailing	494		494	996
Advertising/Public Relations	763	(763)	-	255
Insurance	7,583		7,583	6,417
Dues and Subscriptions	1,119		1,119	2,521
Improvements and Small Equipment	6,122	(1,962)	4,160	16,021
Moving Expenses	121		121	13,306
Building & Grounds Improvements	21,189		21,189	33,953
Utilities	134,742		134,742	148,240
Administrative Fees	48,000		48,000	-
Miscellaneous expenses	44,626	(542)	44,084	86,933
Capitalized Institutional Overhead	23,546		23,546	7,234
Warranty expense	<u>6,786</u>		<u>6,786</u>	<u>17,028</u>
Total General Manufacturing Expenses:	<u>(1,095,184)</u>	<u>(4,993)</u>	<u>(1,090,191)</u>	<u>(1,134,566)</u>
Net Income from Operations:	<u>\$ 288,252</u>	<u>\$ 2,096</u>	<u>\$ 286,156</u>	<u>\$ 301,883</u>

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES
SCHEDULE OF INTERFUND SALES
For the year ending June 30, 2014 and 2013
(Continued)

	PER STATEMENTS OF OPERATIONS	ELIMINATION ENTRIES	AFTER REMOVING INTERFUND SALES	June 30, 2013
	June 30, 2014			
General and				
Administrative Expenses:				
Staff Salaries	\$ 392,135		\$ 392,135	\$ 404,521
Staff Fringe Benefits and other Payroll expenses	189,934		189,934	159,107
Travel expenses	4,128		4,128	7,948
Rent	53,531		53,531	53,751
Office expenses	2,056	\$ (458)	1,598	2,633
Telephone	9,675		9,675	9,113
Postage and Mailing	867		867	1,000
Advertising/Public Relations	1,333	(1,293)	40	982
General Insurance	5,811		5,811	6,436
Vehicle expenses	3,648	(344)	3,304	3,404
Dues and Subscriptions	4,311		4,311	2,354
Depreciation expense	86,579		86,579	86,579
Improvements and Small Equipment	9,554		9,554	173
Utilities	3,038		3,038	
Miscellaneous expenses	157,422		157,422	94,392
Total General and Administrative Expenses	(924,022)	(2,096)	\$ (921,926)	(832,393)
Other Income (Expenses)				
Interest Revenue	3,212		3,212	1,351
Finance Charges	468		468	30,352
License Plate Fees	525,565		525,565	524,853
Capital Improvement (net)	93,385		93,385	64,986
Rental Income	67,200		67,200	69,700
Administrative Fees	289,064		289,064	266,685
Miscellaneous Revenue	-		-	508
Excess Property Sales	12,533		12,533	4,712
Net Income (Loss)	\$ 355,657	\$ 0	\$ 355,657	\$ 432,637

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

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, 2014 and 2013

(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>2014</u>	<u>2013</u>
Land	\$ 153,140	\$ 153,140
Land improvements	1,982,000	1,982,000
Buildings	908,227	908,227
Furniture and equipment	<u>958,596</u>	<u>972,794</u>
Fixed assets at cost	4,001,964	4,016,161
Less accumulated depreciation	<u>(3,281,234)</u>	<u>(3,219,713)</u>
Net fixed assets	<u>\$ 720,730</u>	<u>\$ 796,448</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, 2014, and 2013, depreciation expense was applied as follows:

<u>Cost Center</u>	<u>2014</u>	<u>2013</u>
Central Administration	\$ 86,579	\$ 86,579
NNCC Mattress	1,790	1,790
NNCC Print	5,083	5,083
NNCC Metal	907	907
Ranch Livestock	333	333
Ranch Crops	2,038	750
Ranch Dairy	<u>9,889</u>	<u>9,889</u>
Total depreciation Expense	<u>\$106,619</u>	<u>\$105,331</u>

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

3. Inventories

Inventories at June 30, 2014, consisted of the following:

<u>Cost Center</u>	<u>Raw Materials</u>	<u>Work in Process</u>	<u>Finished Goods</u>	<u>Op Supplies</u>	<u>Total</u>
NNCC Mattress	\$63,223	\$17,152	\$24,877	\$ 0	\$ 105,252
NNCC Print/Bindery	43,772	3,909	14,751	3,558	65,990
Ranch Dairy	11,854	-	0	0	11,854
NNCC Metal	26,760	36,884	5,945	12,232	81,821
NNCC Furniture	53,965	3,035	20,232	20,235	97,467
SDCC Auto/Upholstery	60,950	75,044	2,130	7,552	145,676
SDCC Bighouse Choppers	2,897	0	35,568	-	38,465
LCC Garment	74,125	0	6,174	1,718	82,017
LCC Drapery	6,615	1,107	0	1,079	8,801
Total	<u>\$344,161</u>	<u>\$137,131</u>	<u>\$109,677</u>	<u>\$46,374</u>	<u>\$637,342</u>

Inventories at June 30, 2013, consisted of the following:

<u>Cost Center</u>	<u>Raw Materials</u>	<u>Work in Process</u>	<u>Finished Goods</u>	<u>Op Supplies</u>	<u>Total</u>
LCC Mattress	\$ 63,438	\$ 0	\$ 21,590	\$ 0	\$ 85,028
NNCC Print/Bindery	46,280	616	15,914	3,488	65,298
Ranch Livestock	1,098	0	0	0	1,098
Ranch Dairy	2,593	0	0	2,464	5,057
NNCC Metal	20,594	53,611	2,045	14,080	90,330
NNCC Furniture	45,067	45,898	16,607	19,631	127,203
SDCC Auto/Upholstery	62,853	119,579	6,543	7,124	196,099
SDCC Bighouse Choppers	3,447	0	35,568	-	39,015
LCC Garment	86,246	0	13,037	932	100,215
LCC Drapery	2,543	0	0	2,849	5,392
Total	<u>\$ 334,159</u>	<u>\$ 219,704</u>	<u>\$ 111,304</u>	<u>\$ 50,569</u>	<u>\$715,736</u>

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, 2014, and 2013, \$110,711 and \$241,843 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.

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

7. Livestock

The Ranch's Livestock inventory at June 30, 2014, consisted of the following:

Type of Livestock	Number in Herd	Unit-Livestock Value	Dairy	Livestock	Total
Holstein Bred Heifers	36	1,250	0	45,000	45,000
Milking Cows	102	900	91,800	0	91,800
Beef Calves	39	500	0	19,500	19,500
Beef Cows	44	1,200	0	52,800	52,800
Unweaned Calves	25	50	0	1,250	1,250
Yearling Holstein Heifers	12	450	0	5,400	5,400
Weaned Heifers	32	250	0	8,000	8,000
Weaned Holstein Breeding Bulls	2	700	0	1,400	1,400
Beef Bulls	1	2,500	0	2,500	2,500
Dairy Bulls	2	1,000	2,000	0	2,000
Dry Cows	15	900	13,500		13,500
Yearling Beef Heifers	12	600	0	7,200	7,200
Weaned Holstein Steers	10	180	0	1,800	1,800
Grand Total	332		107,300	144,850	252,150

The Ranch's Livestock inventory at June 30, 2013, 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	101	900	90,900	0	90,900
Beef Calves	38	250	0	9,500	9,500
Beef Cows	46	420	0	19,320	19,320
Unweaned Calves	7	50	0	350	350
Yearling Heifers	17	450	0	7,650	7,650
Weaned Heifers	46	250	0	11,500	11,500
Weaned Holstein Breeding Bulls	6	700	0	4,200	4,200
Beef Bulls	1	1,750	0	1,750	1,750

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

Dairy Bulls	1	1,000	1,000	0	1,000
Dry Cows	25	900	22,500	0	22,500
Yearling Beef Heifers	1	400	0	400	400
Weaned Holstein Steers	2	180	0	360	360
Grand Total	345		114,400	122,530	236,930

8. Accounts Receivable

Accounts receivable at June 30, 2014, consist of the following:

<u>CUSTOMER TYPE</u>	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL</u>
Private Sector	665,912	59.54%
Department of Corrections	97,693	8.74%
Other State Agencies	126,282	11.29%
Other Governments	<u>228,444</u>	20.43%
Total Accounts Receivable	<u>1,118,331</u>	
Less Allowance for Doubtful Accounts	<u>(6,695)</u>	
Net Realizable Value	<u>1,111,636</u>	

The Department of Corrections, state agencies, and other governments are not a bad debt concern. PI has not experienced any problems in collecting their balances.

The private sector accounts receivables consist of 28 individual accounts as of 06/30/14. The largest account's balance represents 37.36% of the total receivables at \$417,764. Prison Industries has a summary judgment against the customer. As a result of the judgment, the state has a lien on all real and personal property of that customer. The customer left numerous items behind at High Desert State Prison. Prison Industries is currently in the process of liquidating those items.

The second largest accounts receivables balance is \$127,835 or 11.43% of the receivables. Next is \$50,347 for 4.50% of total receivables. Coming in at number four is \$16,125 for 1.44% share. Number five on the list is \$15,623 for a 1.40% share of receivables. Sixth on the list is \$8,525 for a .76% share. Number seven owed PI \$6,140 or .55%. Number eight is \$6,062 or .54%. The last larger balance is \$5,621 or .50%. All except the largest account has subsequently paid the forementioned balances. All other private sector customers have minimal balances.

Accounts receivable at June 30, 2013, consist of the following:

<u>CUSTOMER TYPE</u>	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL</u>
Private Sector	702,030	65.90%
Department of Corrections	62,441	5.20%
Other State Agencies	76,804	6.39%
Other Governments	<u>270,51</u>	22.51%
Total Accounts Receivable	<u>1,201,788</u>	
Less an allowance for doubtful Accounts	<u>(2,657)</u>	
Net Realizable Value	<u>1,119,131</u>	

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

The private sector accounts receivables consist of 28 individual accounts as of 06/30/13. The largest account's balance represents 34.76% of the total receivables at \$417,764 and has a \$428,209 balance as of 10/07/13. Prison Industries has a summary judgment against the customer. As a result of the judgment, the state has a lien on all real and personal property of the customer. Amounts owed to PI by individual customers as of 06/30/13 are as follows. These amounts have all subsequently been paid; however, many have current balances within our terms. The second largest balance at 8.18% is \$98,296. Next is \$83,635 for 6.96% of total receivables. Coming in at number four is \$73,193 for 6.09% share. Number five on the list is \$11,721 for a .98% share of receivables. Sixth on the list is \$10,964 for a .91% share. Number seven owed PI \$7,945 or .66%. The last large amount is \$4,390 or .37%. All other private sector customers have minimal balances

9. Accounts Payable

Accounts payable at June 30, 2014, consisted of the following:

<u>GROUP</u>	<u>AMOUNT</u>
Private Section Vendors	\$ 86,744
Department of Corrections	94,083
Other State Agencies	<u>260,318</u>
Total	<u>\$ 441,145</u>

Accounts payable at June 30, 2013, consisted of the following:

<u>GROUP</u>	<u>AMOUNT</u>
Private Section Vendors	\$ 92,520
Department of Corrections	189,340
Other State Agencies	<u>316,315</u>
Total	<u>\$ 598,75</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,

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

termination, or death, calculated at a rate of 50% of the value had it been used. The estimated liability at June 30, 2014, and 2013, was \$200,174 and \$180,291 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, 2014, and 2013, interest received was \$3, 212 and \$1,351, respectively.

(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, 2014, and 2013, finance charge revenue amounted to \$468 and \$30,352, 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 (PICF)

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, 2014, the following are the assessments made to the corresponding program they supported:

<u>INSTITUTION</u>	<u>(a) R & B</u>	<u>(b) PICF</u>	<u>(c) VCF</u>	<u>TOTAL</u>
Northern Nevada C.C.	56,132	11,456	11,456	79,044
Stewart Conservation C.	45,275	9,240	9,240	63,755
Lovelock Correctional C.	51,521	10,514	10,514	72,549
Florence McClure Women's C.C.	199,502	40,715	40,715	280,932
Southern Desert C.C.	30,433	6,211	6,211	42,855

**NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

Warm Springs C.C.	2,694	550	550	3,794
Indian Springs Conservation Camp	761	155	155	1,071
High Desert State Prison	50,501	10,306	10,306	71,113
Total	<u>\$ 436,819</u>	<u>\$ 89,147</u>	<u>\$ 89,147</u>	<u>\$615,113</u>

13. Inmate Labor (continued)

During the year ended June 30, 2013, the following are the assessments made to the corresponding program they supported:

<u>INSTITUTION</u>	<u>(a) R & B</u>	<u>(b) PICI</u>	<u>(c) VCF</u>	<u>TOTAL</u>
Northern Nevada C.C.	48,610	9,920	9,920	68,450
Stewart Conservation C.	41,776	8,526	8,526	58,828
Lovelock Correctional C.	56,567	11,544	11,544	79,655
Florence McClure Women's C.C.	147,919	30,188	30,188	208,295
Southern Desert C.C.	30,669	6,259	6,259	43,187
Warm Springs C.C.	3,295	672	672	4,639
Indian Springs Conservation Camp	6,906	1,409	1,409	9,724
High Desert State Prison	96,920	19,780	19,780	136,480
Ely State Prison	9,701	1,980	1,980	13,661
Total	<u>\$ 442,363</u>	<u>\$ 90,278</u>	<u>\$ 90,278</u>	<u>\$622,919</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, 2014, and 2013, Silver State Industries expensed warranty expense as it occurred. PI did not accrue any warranty expense for the years ending June 30, 2014 and 2013.

NEVADA DEPARTMENT OF CORRECTIONS
SILVER STATE INDUSTRIES

Notes to Financial Statements for the Years Ended June 30, 2014 and 2013

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. Other amounts written-off in the current year represent uncollectible accounts.

Prison Industries did not determine that any accounts were uncollectible this year. PI obtained a summary judgment from the largest receivable. PI is working on selling off the assets confiscated from that customer. The amount of loss cannot be reasonably estimated at this time. That account should be finalized sometime in fiscal year 2015. The allowance for doubtful accounts at the beginning of the year had a \$2,657 balance. PI did recover \$4,038 in uncollectible accounts previously written off. Nothing was charged to bad debt expense this fiscal year; therefore, the balance for Allowance for Doubtful Accounts at the end of the year was \$6,695.

17. Utilities

In both 2014 and 2013, the cost of utilities has been allocated to private industries according to what the Nevada Department of Corrections charged Prison Industries.

DISCUSSION OF REQUESTED LEGISLATION RELATING TO AUTHORIZED
EXPENDITURES FROM THE FUND FOR NEW CONSTRUCTION OF FACILITIES
FOR PRISON INDUSTRIES

NRS 209.192 Fund for New Construction of Facilities for Prison Industries.

1. There is hereby created in the State Treasury a Fund for New Construction of Facilities for Prison Industries as a capital projects fund. The Director shall deposit in the Fund the deductions made pursuant to paragraph (c) of subsection 1 or paragraph (b) of subsection 2 of NRS 209.463. The money in the Fund ~~must only~~ **may** be expended to house new industries, ~~or~~ expand existing industries, **purchase or lease equipment** in the industrial program to provide additional **employment of offenders work** or for any other purpose authorized by the Legislature. **With the approval of the Legislature's Committee on Industrial Programs**, the money in the Fund ~~must not~~ **may** be expended for relocating, **expanding, upgrading and modifying** an existing industry in the industrial program **unless the existing industry is being expanded** to enhance and improve operations and security and to provide additional **employment of offenders work or training**.

2. **With the approval of the Legislative Committee on Industrial Programs**, the funds may also be used for the following purposes:

2a: **Purchase or lease of equipment to be used for the training of offenders and in the operations of the Prison Industries.**

2b: **Pay or fund the day to day prison industry operations, including but not limited to staff and offender payroll, if the Prison Industry cash balance falls below thirty days of average monthly total Silver State expenditures.**

2c: **Advertising and promoting of Prison Industries goods and services**

~~2-~~ 3. **Being money in the Fund may be expended for construction, the Director shall submit a proposal for the expenditure to the Legislature's Committee on Industrial Programs and if approved, to the State Board of Examiners. Upon making a determination that the proposed expenditure is appropriate and**

necessary, the State Board of Examiners shall recommend to the Interim Finance Committee, or the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means when the Legislature is in general session, that the expenditure be approved. Upon approval of the appropriate committee or committees, the money may be so expended.

3. 4. The interest and income earned on the money in the Fund, after deducting any applicable charges, must be credited to the Fund.

(Added to NRS by 1991, 1589; A 1993, 422; 1995, 2591; 1997, 3177; 2001, 2391; 2010, 26th Special Session, 5)