

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

(NRS 209.4817)



**Wednesday, September 21, 2011  
9:30 a.m.**

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

*Videoconference to:*

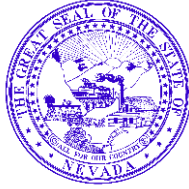
Legislative Building  
Room 3137  
401 South Carson Street  
Carson City, Nevada

Great Basin College  
Greenhaw Technical Arts Bldg  
Room 118  
1500 College Parkway  
Elko, Nevada



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**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: September 21, 2011 – 9:30 a.m.

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

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

Legislative Building  
Room 3137  
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Carson City, Nevada

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

*For  
Possible  
Action*

III. SELECTION OF CHAIRMAN AND VICE-CHAIRMAN – NRS 209.4817.

*For  
Possible  
Action*

IV. APPOINTMENT OF ALTERNATE MEMBERS OF COMMITTEE ON INDUSTRIAL PROGRAMS.

*For  
Possible  
Action*

V. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR DECEMBER 16, 2010.

*For  
Possible  
Action*

VI. REPORT ON PRISON INDUSTRY PROGRAMS DISCONTINUED DURING THE 2009-11 BIENNIUM.

*For  
Possible  
Action*

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

*For  
Possible  
Action*

VIII. STATUS REPORT ON THE LICENSE PLATE FACTORY AS IT RELATES TO THE CLOSURE OF NEVADA STATE PRISON.

*For  
Possible  
Action*

IX. STATUS REPORT FROM THE DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:

A. PRINTING/BINDERY SHOP – NEVADA STATE PRISON

B. METAL AND FURNITURE SHOP – NORTHERN NEVADA CORRECTIONAL CENTER

C. DRAPERY SHOP – ELY STATE PRISON

D. DIAMOND MOUNTAIN DISTRIBUTORS – SOUTHERN DESERT CORRECTIONAL CENTER, HIGH DESERT STATE PRISON, AND WARM SPRINGS CORRECTIONAL CENTER

*For  
Possible  
Action*

X. REVIEW OF NUMBER OF INMATES THAT WORKED JULY 2009 THROUGH JUNE 2011.

*For  
Possible  
Action*

XI. REVIEW OF DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, PRISON INDUSTRIES CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND – FY 2010 AND FY 2011.

*For  
Possible  
Action*

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

*For  
Possible  
Action*

XIII. REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE YEAR ENDING JUNE 30, 2011.

#### XIV. PUBLIC COMMENT.

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

#### XV. ADJOURNMENT.

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Note: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Fiscal Division of the Legislative Counsel Bureau, in writing, at the Legislative Building, 401 South Carson Street, Carson City, Nevada 89701-4747, or call Cheryl Harvey, Management Assistant at (775) 684-6821 as soon as possible

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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 Web site at [www.leg.state.nv.us](http://www.leg.state.nv.us).



**APPOINTMENT OF ALTERNATE MEMBERS OF COMMITTEE ON  
INDUSTRIAL PROGRAMS**



**NRS 209.4817 Committee on Industrial Programs: Creation; members; terms of appointed members; appointment of alternate members; payment of compensation, allowances and travel expenses.**

1. The Committee on Industrial Programs is hereby created.
2. The Committee consists of the Director of the Department, the Chief of the Purchasing Division of the Department of Administration and eight regular members appointed by the Interim Finance Committee as follows:
  - (a) Two members of the Senate.
  - (b) Two members of the Assembly.
  - (c) Two persons who represent manufacturing in this State.
  - (d) One person who represents business in this State.
  - (e) One person who represents organized labor in this State.
3. The regular members of the Committee shall select a Chair from among their membership.
4. Each regular member of the Committee appointed by the Interim Finance Committee must be appointed to a term of 2 years and may be reappointed.
5. At the first meeting of the Committee following each regular session of the Legislature, the Chair of the Committee may appoint eight alternate members to serve in the place of regular members who are unable to attend a meeting or perform their duties, as follows:
  - (a) Two members of the Senate, each of whom may serve in the place of a member of the Senate appointed pursuant to paragraph (a) of subsection 2.
  - (b) Two members of the Assembly, each of whom may serve in the place of a regular member of the Assembly appointed pursuant to paragraph (b) of subsection 2.
  - (c) Two persons who represent manufacturing in this State, each of whom may serve in the place of a person appointed pursuant to paragraph (c) of subsection 2.
  - (d) One person who represents business in this State, who may serve in the place of the person appointed pursuant to paragraph (d) of subsection 2.
  - (e) One person who represents organized labor in this State, who may serve in the place of the person appointed pursuant to paragraph (e) of subsection 2.
- ↳ Each alternate member appointed by the Chair must be appointed to a term of 2 years and may be reappointed.
6. Except during a regular or special session of the Legislature, each Legislator who is a regular member or an alternate member of the Committee is entitled to receive the compensation provided for a majority of the members of the Legislature during the first 60 days of the preceding regular session for each day or portion of a day during which the Legislator attends a meeting of the Committee or is otherwise engaged in the work of the Committee. Each nonlegislative regular member or alternate member appointed by the Interim Finance Committee or the Chair of the Committee on Industrial Programs is entitled to receive compensation for the member's service on the Committee on Industrial Programs in the same amount and manner as the legislative regular members or alternate members whether or not the Legislature is in session. Each nonlegislative regular member or alternate member of the Committee is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally. Each Legislator who is a regular member or an alternate member of the Committee is entitled to receive the per diem allowance provided for state officers and employees generally and the travel expenses provided pursuant to [NRS 218A.655](#). All compensation, allowances and travel expenses must be paid from the Fund for Prison Industries.

(Added to NRS by [2001, 2390](#); A [2007, 26](#))



**MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S  
INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL  
PROGRAMS FOR DECEMBER 16, 2010**



**MINUTES OF THE  
NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S  
COMMITTEE ON INDUSTRIAL PROGRAMS  
(NRS 209.4817)  
December 16, 2010**

The fourth meeting of the 2009–10 Interim for the Nevada Legislature's Interim Finance Committee's Committee on Industrial Programs was held at 9:30 a.m. on Thursday, December 16, 2010, in Room 4412 of the Grant Sawyer State Office Building in Las Vegas, Nevada. The meeting was simultaneously videoconferenced to Room 3137 of the Legislative Building in Carson City, Nevada.

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator David R. Parks, Chairman  
Assemblyman John Hambrick, Vice Chairman  
Bruce Aguilera, Vice President/General Counsel, Bellagio  
Allen J. Puliz, Puliz Moving and Storage  
Greg Smith, Administrator, Purchasing Division

**COMMITTEE MEMBERS PRESENT IN CARSON CITY:**

Senator Dean A. Rhoads  
Howard Skolnik, Director, Department of Corrections

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Moises Denis  
Mike Magnani, Labor Union Representative  
Michael Mackenzie, Principal, Operations Improvement Company

**STAFF MEMBERS PRESENT IN CARSON CITY:**

Natalee Binkholder, Deputy Legislative Counsel, LCB Legal Division  
Cheryl Harvey, Secretary, LCB Fiscal Analysis Division

**STAFF MEMBERS PRESENT IN LAS VEGAS:**

Sarah Coffman, Program Analyst, LCB Fiscal Analysis Division

**OTHERS PRESENT IN CARSON CITY:**

Brian Connett, Deputy Director, Industrial Programs, Department of Corrections

**EXHIBITS:**

Exhibit A – Meeting Packet

## **I. CALL TO ORDER**

Chairman David Parks called the meeting to order at 9:30 a.m. He welcomed the Committee members in Las Vegas and the Committee members attending in Carson City. He asked that the Committee secretary take roll and it was determined a quorum was present.

## **II. APPROVAL OF MINUTES OF THE MEETING OF THE NEVADA LEGISLATURE'S INTERIM FINANCE COMMITTEE'S COMMITTEE ON INDUSTRIAL PROGRAMS FOR SEPTEMBER 28, 2010.**

Chairman Parks requested a motion for approval of the minutes from the September 28, 2010, meeting.

ASSEMBLYMAN HAMBRICK MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 28, 2010, MEETING OF THE COMMITTEE ON INDUSTRIAL PROGRAMS.

MR. ALLEN J. PULIZ SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mr. Connett, Deputy Director, Prison Industries, introduced a proclamation signed by the Governor:

Whereas Howard Skolnik having a long, distinguished career with the State of Nevada, and

Whereas the Nevada Department of Corrections was losing one of the most dedicated, and astonishing director whose tireless efforts have been most noteworthy, and

Whereas the Nevada Department of Corrections sentenced Mr. Skolnik to decades of hard prison labor, and

Whereas you have lead the Department of Corrections, Industrial Programs in a very positive direction, and

Whereas your well placed advice, business sense, and thoughtfulness, has provided Silver State Industries' inmate workers with a sense of well being, self worth, pride, and many opportunities to better themselves through the learning of trades and manufacturing processes,

Whereas you have lead the Department of Corrections into a higher awareness of safety and security for all uniformed and non-uniformed staff that has resulted in a safer Nevada,

Whereas you have made this a better community for all Nevadans to live, work, and raise their families.

Whereas, serving your time has aborted you appreciation, admiration, gratitude, and now therefore,

The Department of Corrections has paroled you to a life of happiness, full of family and friends.

Mr. Connett said he appreciated all of Director Skolnik's efforts. Silver State Printing supervisor, Ms. Mary Byington, presented Mr. Skolnik with a plaque reading, "Howard Skolnik, Director, in appreciation of 23 years of dedicated service and lasting contributions, from the Board and Staff of Silver State Industries."

Mr. Connett introduced Mr. Quenga, Marketing Representative and Supervisor for the metal and furniture shops. Mr. Connett explained that Ms. Byington supervised both the printing shop and book bindery. Mr. Quenga and Ms. Byington said they wanted to attend Mr. Skolnik's last committee meeting as they had worked with him for a long time.

Mr. Skolnik stated he was thrilled to be part of Silver State Industries for 23 years. He remembered the Committee members coming to Illinois in 1986 to tour the industry program that he managed. At the time, the Committee asked Mr. Skolnik to help design an industrial program in Nevada, then offered him the job of Assistant Director of NDOC. Mr. Skolnik took that job, unfortunately, had no one to blame when something went wrong because he had written most of the legislation. He truly never knew how happy he was when "Deputy" was still part of his title. It had been a wonderful experience. He wished more resources had been available while he was the Director. He will be enjoying his retirement, cleaning out his garage and running.

### **III. STATUS REPORT FROM THE NEVADA DEPARTMENT OF CORRECTIONS AND COMMITTEE RECOMMENDATIONS REGARDING THE FOLLOWING ITEMS:**

- A. AUTO/UPHOLSTERY – SOUTHERN DESERT CORRECTIONAL CENTER
- B. GARMENT FACTORY – LOVELOCK CORRECTIONAL CENTER
- C. FURNITURE AND METAL – NORTHERN NEVADA CORRECTIONAL CENTER

Mr. Connett requested that the status report from the Nevada Department of Corrections and Committee recommendations be discussed under Agenda Item XI.

### **IV. REVIEW OF RESPONSES FROM THE NEVADA DEPARTMENT OF CORRECTIONS TO QUESTIONS OF THE COMMITTEE AT THE SEPTEMBER 28, 2010, MEETING RELATING TO THE TAG PLANT'S LICENSE PLATE PRESS AND INMATE WAGE DEDUCTIONS RECORDED FOR FY 2009 AND FY 2010.**

Senator Parks asked if the online auction for the press that printed raised letter license plates was a success. Ms. Diane Dastal, ASO II, Department of Corrections, responded the press had not been sold. Mr. Greg Smith, Administrator, Purchasing Division, stated he did not have a lot of information, but the Purchasing Division had a couple of customers that were extremely interested.

One potential customer had even placed a very good bid, but was notified by the Department of Motor Vehicles (DMV) that they chose not to sell the press. Mr. Smith indicated he did not know the reason for not selling the press, but the request came from the director of the DMV.

Senator Parks thanked Mr. Smith for the update and mentioned to the Committee he had received the online auction bid, which was very well put together. He preferred raised letters on the license plates as opposed to the flat plates. Director Skolnik said it was his understanding that DMV intended to resume the production of some embossed plates, which was the reason for removing the press from the auction.

Senator Parks stated he had seen the tag plant in operation about 15 years ago. The inmates were very talented at expediting the use of the tag press and produced a lot of license plates in a very short period of time. Mr. Connett agreed and said most of the tags produced 15 years ago were embossed.

Ms. Dastal went on to explain the inmate wage deductions. She said in FY 2009 the Nevada Department of Corrections (NDOC) inmate wage spreadsheet had some errors related to the links to the summary sheet. Three of the institutions misstated the inmate wage deductions for FY 2009. Ms. Dastal reinstated the deduction in the FY 2010 notes to the financial statements. The Department originally reported Florence McClure Women's Correctional Center inmate wage deductions of \$16,479; an adjustment of \$73,661 was made. The restated inmate wage deduction was \$90,140. For Southern Desert Correctional Center (SDCC), the original amount reported was \$158,098; an adjustment of \$266,397 was made. The restated amount was \$424,495. The Department reported Jean Conservation Camp inmate wage deduction of \$2,181 was made, an adjustment of -\$705, for a restated amount of \$1,476.

Senator Parks asked if there was something specific to these three facilities to cause previously reported amounts to be incorrect. Ms. Dastal responded each industry had a separate spreadsheet linked to the summary sheet. The links were incorrect from these three facilities spreadsheets to the summary sheet. The amounts were correct on the separate spreadsheet, but the amounts needed to be adjusted on the summary sheet.

Ms. Dastal directed the Committee to page 23 of the meeting packet (Exhibit A). She reported that Room and Board (R&B) deductions decreased by approximately \$197,000 in FY 2010. The deductions were \$707,732 in FY 2009, and \$510,340 in FY 2010. The Victims of Crime Fund (VCF) and the Prison Industry Capital Improvement Fund (PICI) decreased by approximately \$40,000 in FY 2010 from FY 2009. The deductions were \$144,436 in FY 2009 and \$104,151 in FY 2010.

**V. REPORT ON PRISON INDUSTRY PROGRAMS DISCONTINUED DURING THE PERIOD JULY 2009 THROUGH NOVEMBER 2010.**

Mr. Connett explained for the record, due to the economy the following companies had to close operations within the Prison Industry facilities: an RDRC trust, which operated for a short time at the Jean Conservation Camp, Impact Design, which embroidered on fabrics (40 inmates were employed); Artistic Glass, a stained glass operation at SDCC (8-10 inmates employed). Prison Industries also saw the closure of Shelby American located at SDCC (60 inmates employed); Silverline Equipment, an operation for water tanks, which was located at SDCC (36 inmates employed); TJ Wholesale, an operation for card sorting, had a temporary shutdown over the summer, putting close to 80 inmate workers out of work. Alpine Steel also had a three-month shutdown over the summer of 2010.

**VI. DISCUSSION OF PRISON INDUSTRIES' BUDGET FOR THE 2011-13 BIENNIUM; POTENTIAL PRISON INDUSTRY PROGRAMS; AND COMMITTEE RECOMMENDATIONS (NRS 209.4818).**

Ms. Dastal said for the FY 2012-13 budget, the agency decreased its revenue projections by 84 percent compared to FY 2010-11. The Governor's recommended budget remained confidential, by statute, until the budget was published on January 24, 2011. At the time of the meeting it was not known if the projected revenues would be accepted by the Governor's office.

**VII. REVIEW OF THE NUMBER OF INMATES EMPLOYED JULY 2008 THROUGH OCTOBER 2010.**

Mr. Connett directed the Committee to page 19 of the meeting packet (Exhibit A), explaining in FY 2009 Prison Industries started with 748 employed inmates. Prison Industries ended the fiscal year with 630 inmates, averaging about 674 inmates for FY 2009.

Additionally, Mr. Connett explained at the beginning of FY 2010 there were 624 employed inmates. Prison Industries finished the fiscal year with about 474, averaging 535 inmate workers for FY 2010. Most of the losses came from the closures that were discussed earlier in the meeting. Fiscal Year 2011 remained relatively flat, averaging 490 inmate workers. The Department anticipated growth would continue very slowly.

Senator Rhoads asked if the employed inmate workers included those in the honor camp programs. Mr. Connett stated it did not include the inmate workers at the honor camp for the Nevada Department of Forestry.

**VIII. REVIEW OF REVISED DEDUCTIONS FROM INMATE WAGES FOR ROOM AND BOARD, THE PRISON INDUSTRIES CAPITAL IMPROVEMENT FUND, AND THE VICTIMS OF CRIME FUND FOR FY 2009 AND FY 2010.**

Ms. Dastal explained these items were addressed under Agenda Item IV. There were no follow up questions. Senator Parks referred the Committee to the next agenda item.

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

Ms. Dastal directed the Committee to page 26 of the meeting packet (Exhibit A). She explained in FY 2006 that Prison Industries had a gradual fund for new construction increase, with a balance of \$403,187. In FY 2009, the beginning balance was \$987,434. In FY 2010, the Legislature transferred \$948,000 to the General Fund, leaving a balance of \$179,890 in FY 2011. Mr. Connett explained the funds the Legislature transferred had been earmarked for building a tag plant and print operation.

Senator Parks stated the bindery operation seemed to be putting inmates to work. He asked if there had been any discussion with the Department of Motor Vehicles (DMV) regarding a proposed relocation of the tag plant. Mr. Connett said Prison Industries had a discussion about building placements. Relocation of the facilities depended on the outcome of the 2011 Legislative Session.

Ms. Dastal informed the Committee the book bindery was out of space at the current location. She said sometimes the supervisor did not place bids on print jobs because there was no capacity in the facility to complete the job. The bindery plant would greatly benefit if there was more room.

**X. REVIEW OF WORK PROGRAM C20112 SUBMITTED BY PRISON INDUSTRIES TO ELIMINATE THREE VACANT POSITIONS.**

Ms. Dastal gave the Committee an update on the financial statements. Prison Industries had been asked to eliminate three positions: a Correctional Officer at HDSP (vacant since October 2007), and two Supervisor I positions at SDCC (one vacant since January 2007, the other since January 2008). The amount budgeted for FY 2011 was \$169,944.

Senator Rhoads asked if revenue would be lost due the elimination of the three positions. Mr. Connett said the positions had been vacant because of the reduced revenue. Should revenue increase, Prison Industries would request to reinstate the positions. The revenue level could not support those particular positions.

**XI. REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE INDUSTRIES FOR THE YEAR ENDING JUNE 30, 2010, AND THE QUARTER ENDING SEPTEMBER 30, 2010.**

Ms. Dastal testified to the Committee regarding the Prison Industry financial statements. The finances took a huge hit on two major items: write-off of bad debts and a sweep taken by the Legislature. The bad debt write-off was approximately \$884,000, and the legislative sweep was \$948,000. The accounts receivable was down \$765,000 and other assets were down due to the \$948,000 swept by the Legislature.

Ms. Dastal further explained, had the bad debt write-off and funds sweep which totaled \$1,832,000 not occurred, Prison Industries would have \$6,300,178 in assets on the balance sheet which was an increase of approximately \$115,000. Given the status of the industries, economy, funds sweep, and the write-offs, Prison Industries performance was satisfactory.

Mr. Connett further explained the financial statement showed a loss of \$1.837 million. The bad debt write-off and the legislative sweep combined equaled \$1.832 million. The difference shows that Prison Industries would have lost only approximately \$5,000 if the sweep and write-offs had not occurred. Mr. Connett stated, if Prison Industries could take those two particular items out of the financial statement, it would almost break even.

Ms. Dastal explained the retained earnings, saying the total fund equity declined by \$1.837 million, or 33 percent. If the sweep and the write-off were not included, the decline would have been less than 1 percent.

Ms. Dastal reported on the following statements of operation for the period ending FY 2010:

- Statement of Cash flows – Total cash at the end of June 30, 2010, declined 31 percent. If the Legislature had not swept the \$948,000 Prison Industries' cash flow would have increased by 12 percent over FY 2009.
- Statement of Operations – License plate fees dropped about \$7,000 from June 30, 2009. In FY 2010 the total of general and administrative expenses, which included the write-off, was \$1,672,600. The total amount of the write-off was \$720,405. Had the write-off not occurred, the amount of general and administrative costs would have been \$752,195, a \$75,860 reduction over FY 2009.
- Lovelock Correctional Center, Mattress Shop – Sales were up approximately \$60,000, a 13 percent increase in revenue. Profit had increased almost \$47,000 over FY 2009, a 135 percent increase. Mr. Connett explained part of the increase in revenue was due to Prison Industries supplying all the mattresses to a new facility in Southern Nevada. That was a one-time institutional mattress increase.

- Nevada State Prison, Printing/Bindery Shop – The print/bindery shop's revenue was down about \$28,000, a 7 percent decrease compared to FY 2009. The profit decreased about \$3,400 or 9 percent. Senator Rhoads asked if the 7 percent decrease was because the bindery shop could not take on more jobs because there was no space. Mr. Connett said capacity was one of the bindery shop's issues. To bring large jobs into the facility created a real bottleneck. If the bindery was laid-out differently and had more room to increase capacity, more equipment could be leased. Maybe more business could then be acquired to increase revenue. Senator Rhoads said perhaps the Committee could write a letter to the Governor explaining that by not increasing the space, revenue was lost. Senator Parks thought that was a great idea considering presentation of the budget would be due shortly. Mr. Connett explained the printing/bindery shop had six different profit centers. The printing press operation accounted for about 59 percent of its revenue, silk screening approximately 17 percent; embroidery approximately 10 percent; photo copying approximately 7 percent; bindery approximately 7 percent; rock carving approximately 1 percent.
- Furniture and Metal Shop – The revenue from the wood shop accounted for approximately 37 percent and the metal shop accounted for approximately 63 percent in FY 2010. Total revenue was \$817,223, compared to \$818,075 in FY 2009, remaining relatively flat. The profitability decreased by \$62,000 or approximately 340 percent. The furniture shop had approximately \$200,000 in orders at the end of FY 2010 that were being worked on in FY 2011. The materials were bought FY 2010 and the first quarter of 2011 showed the revenue sales.
- Auto and Upholstery Shop – Revenue was down due to a large amount of warranty work that Prison Industries hoped to be complete by FY 2011. Mr. Connett said some warranty work came back to the shop, which took priority over other work. The shop occupied some of the space that Shelby Automotive had vacated. Mr. Connett was trying to increase the throughput of the industry.
- Lovelock Correctional Center - Garment factory – Revenue remained relatively flat, but there a 7.5 percent increase in profit. The supervisor had done a good job controlling costs. Mr. Connett stated the mattress and garment factory was operated by the same supervisor. The mattress factory was moved from Nevada State Prison to Lovelock Correctional Center; as a result, the throughput increased. Some of the processes are the same for both industries.
- Ely State Prison - Drapery – Revenues were down about \$45,000. The drapery shop struggled to get the revenue into the shop. The losses had increased by 9 percent. Senator Parks asked if there was reason to consider discontinuing the operation. Mr. Connett responded the drapery industry had been considered for closure as it had not been profitable for some time. The shop serves a significant purpose for both the Department and working inmates at the maximum security institution. It plays a part in the operations for the security of the Department by keeping some of the inmates busy. Mr. Connett was looking for other opportunities to place in the facility. It had been difficult

because of the Ely location. Senator Parks asked if they did assessments of skilled inmates. Mr. Connett responded one of the goals was to train the inmates in skill sets. A lot of inmates come into the industries with little or no skill in any particular industry.

- Dairy – The ranch had a significant turnaround in its profitability. Hay was a huge expense. In FY 2009 hay cost \$235 a ton, FY 2010 it was \$92 a ton, and in FY 2011 it was \$142 a ton effective October 1, 2010. Mr. Connett explained Prison Industries had an agreement with BLM to board horses. Prison Industries was currently working with BLM to increase the horse count. The horse count was up to 850 at the ranch, and the hay cost rose with the number of horses. Even though the dairy was getting more horses to board and charge out per day, there was a hay expense that went along with the boarding costs. Senator Parks asked if the same hay was used to feed to the horses and the dairy cattle. Ms. Dastal stated the same hay was fed to both the horses and the dairy cattle and the cattle were also grain feed.

Mr. Smith noticed that the utilities increased about 50 percent at the dairy. Ms. Dastal stated the dairy industry paid its utility bills directly. A small portion of the utilities was for the biomass plant, but that had been discontinued. Director Skolnik stated the biomass plant was discontinued because the operation did not break even. It was costing a substantial amount of money over and above the cost of the construction payoff.

Mr. Aguilera asked if there was a listing of the companies that owed money to Prison Industries and whether collections by outside sources had been made on the funds due. Ms. Dastal stated the list of companies was not in the financials, but the collection process had been turned over the Controller's Office. The Controller's Office had a contract with three different private companies that were actively trying to collect the bad debts.

Mr. Puliz asked if the mattress shop had considered producing the plastic bags holding the mattresses for bed bug protection. He said there was a huge demand in southern Nevada for the bags. Mr. Connett said they were not producing any mattress covers, but would like to contact Mr. Puliz for some more information.

Ms. Dastal moved on to the balance sheet for the first quarter of FY 2011 ending on September 30, 2010. She stated FY 2011 started in the right direction. The \$25,000 loss from the first quarter FY 2009 had been turned around to an \$112,000 profit. The total fund equity had decreased by \$1.7 million, but the \$948,000 fund sweep and \$884,000 write-off totaled \$1.832 million. Ms. Dastal stated the license plate fee revenues were up \$5,000 from the previous year.

Ms. Dastal further explained the total general administrative expenses were \$196,100, a savings of about \$36,000 from FY 2009, which was a 15.6 percent decline in costs. Prison Industries was trying to do everything in its power to control costs. The mattress operation had a 37 percent decline in profit. The sales for FY 2009 included the manufacturing of mattress for the new NDOC facility.

Ms. Dastal stated the print shop was doing well despite the space limitation. Sales were down about \$7,000; however, profits had increased approximately 26 percent. Furniture and metal had done well largely due to the furniture sales. During FY 2010 the furniture shop had received a sales order for FY 2011. The financial statement shows a \$159,000 increase in sales due to the sale.

Ms. Dastal said the auto and upholstery shops' sales were down by \$22,000, a decrease of approximately 50 percent. Mr. Smith asked if the auto shop was where the warranty work had to be done. Mr. Connett confirmed the warranty work was done at the auto shop. Warranty work was an expense to the industry without providing any income.

Continuing, Ms. Dastal explained the garment factory sales had declined approximately 20 percent, with profit declined about 54 percent. The drapery shop had a 63 percent drop in sales. Mr. Connett informed the Committee the drapery shop had given out quotes to companies that were bidding on jobs. The bids had not come back, but if Prison Industries win the bids, sales would increase for the Drapery shop. Mr. Connett said he will not know until the third quarter of FY 2011 if the bids were accepted.

Assemblyman Hambrick asked if Prison Industries had considered having the drapery industry make pillow shams, bed skirts, and comforters to augment the sales of the mattresses. Mr. Connett stated those items were complimentary to what was manufactured currently, but he would take a look at the viability of the market.

Ms. Dastal said the Dairy ranch continued to do well. In the first quarter ending September 2009, hay costs were \$235 per ton. The first quarter ending September 2010, the hay costs were \$92 per ton. Mr. Connett stated Prison Industries had five different profit centers at the ranch operation: livestock; dairy operation; crops; the BLM contract; and composting. Senator Rhoads questioned the \$235 a ton for hay. He had bought hay for the last winter and the most he paid was \$125 a ton delivered. Mr. Connett responded that Prison Industries was obligated to go out through State Procurement to purchase the hay. When State Procurement put the bids out, that was the pricing which included delivery. Senator Rhoads asked Mr. Connett to send him information about the steps taken to receive the bid. The highest price Mr. Rhoads had heard for hay was \$140 per ton delivered. Mr. Connett said he would send the information.

Senator Parks confirmed that Senator Rhoads had requested a letter to Governor-elect Sandoval to recommend consideration in the budget that the printing and bindery shop had increased allocations for space.

SENATOR RHOADS MOVED THAT A LETTER BE SENT TO THE GOVERNOR REQUESTING AN EVALUATION OF MORE SPACE FOR THE BINDERY INDUSTRY TO INCREASE REVENUE.

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

**XII. Public Comment**

Stating that there was nothing further to come before the Committee; Chairman Parks adjourned the meeting at 10:55 a.m.

Respectfully submitted,

\_\_\_\_\_  
Cheryl Harvey, Committee Secretary

APPROVED:

\_\_\_\_\_

Date: \_\_\_\_\_



**REVIEW OF NUMBER OF INMATES THAT WORKED  
JULY 2009 THROUGH JUNE 2011**

**X**



NDOC Industrial Programs Report of Inmates Working		FY 2009													
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2009 MO. AVG	
ESP	Drapery	29	30	29	29	29	29	29	29	31	29	29	31	29	
HDSP	Alpine Steel (private)	32	32	31	30	27	28	26	33	33	31	23	30	30	
HDSP	Impact Design (private)	42	35	34	30	17	13	3						25	
HDSP	DMD/TJ Wholesale (private)	82	84	81	85	81	81	79	-	58	59	64	66	68	
JCC	RDRC	4	3	-	-	-	2	-	4	4	-	5	2	2	
LCC	Garment	62	75	74	72	72	69	68	58	55	65	60	73	67	
NNCC	Metal	22	24	19	25	32	36	28	33	31	29	25	24	27	
NNCC	Ranch	36	38	26	25	26	25	25	30	26	31	33	33	30	
NNCC	Vinyl (private)	39	39	37	36	36	38	36	35	34	36	36	34	36	
NNCC	Furniture	51	40	50	43	13	69	62	61	59	56	53	50	51	
LCC	Mattress	21	27	30	28	27	28	28	26	29	30	16	24	26	
NSP	Tag Plant	19	19	19	19	19	19	19	19	19	19	18	18	19	
NSP	Printing/Book Bindery	30	30	31	30	30	32	32	32	35	32	36	36	32	
SDCC	Auto/Upholstery	52	51	40	39	38	50	44	34	35	37	35	31	41	
SDCC	Big House Choppers	-	-	2	2	1	-	-	-	1	-	-	-	1	
ISCC	M-Truss (community)	10	10	8	9	8	7	4	6	3	-	-	3	6	
SDCC	Silverline (Thomson Equipment)	36	35	36	31	24	23	2	2	4	11	5		19	
SDCC	DMD/TJ Wholesale (private)	52	49	47	47	44	42	43	41	35	36	36	31	42	
SDCC	Shelby American (private)	50	49	48	50	62	62	61	60	62	61	62	62	57	
FMWCC	Jacobs Trading (private)	21	19	19	24	21	20	21	22	22	22	21	20	21	
FMWCC	DMD/TJ Wholesale (private)	19	19	18	16	17	17	17	16	-	18	17	18	16	
NNCC	Horses	16	19	20	20	20	20	20	21	21	21	19	18	20	
WSCC	DMD/TJ Wholesale (private)	23	23	26	27	26	24	22	22	-	22	26	26	22	
Grand Total		748	750	725	717	670	734	669	584	597	645	619	630	674	
Average Inmate Population		13,013	13,022	12,978	12,906	12,833	12,797	12,734	12,705	12,714	12,716	12,702	12,689	12,817	
Percent of Inmate Population Employed		5.7%	5.8%	5.6%	5.6%	5.2%	5.7%	5.3%	4.6%	4.7%	5.1%	4.9%	5.0%	5.3%	

NDOC Industrial Programs Report of Inmates Working		FY 2010													
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2010 MO. AVG	
ESP	Drapery	30	30	29	26	26	24	24	23	24	17	26	23	25	
HDSP	Alpine Steel (private)	24	24	21	20	20	18	15	14	14	17	20	20	19	
HDSP	Impact Design (private)														
HDSP	DMD/TJ Wholesale (private)	69	70	69	69	73	72	75	80	80	75	71	73	73	
JCC	RDRC														
LCC	Garment	72	71	84	69	68	67	68	68	61	67	70	64	69	
NNCC	Metal	24	8	24	24	11	16	27	12	19	10	9	9	16	
NNCC	Ranch	38	34	34	34	26	34	19	23	27	31	31	29	30	
NNCC	Vinyl (private)	36	35	38	33	37	38	38	38	37	40	38	36	37	
NNCC	Furniture	48	43	32	38	36	37	49	45	45	38	40	48	42	
LCC	Mattress	23	23	23	22	22	19	24	22	23	23	22	23	22	
NSP	Tag Plant	18	18	18	18	18	18	18	18	18	16	16	16	18	
NSP	Printing/Book Bindery	32	32	34	31	29	29	30	31	31	28	29	28	30	
SDCC	Auto/Upholstery	34	45	41	36	30	28	28	34	29	37	27	24	33	
SDCC	Big House Choppers	-	-	1	1	1	-	1	2	1	-	-	-	1	
ISCC	M-Truss (community)	6	6	6	4	5	5	4	7	5	5	11	10	6	
SDCC	Silverline (Thomson Equipment)														
SDCC	DMD/TJ Wholesale (private)	31	20	19	-	-	-	-	-	-	7	11	11	8	
SDCC	Shelby American (private)	61	60	66	63	61	61	54	55	35	33	32	-	48	
FMWCC	Jacobs Trading (private)	19	25	22	18	18	19	19	22	20	21	23	28	21	
FMWCC	DMD/TJ Wholesale (private)	18	15	-	-	-	-	-	-	-	-	-	-	3	
NNCC	Horses	17	18	19	19	17	18	19	17	20	20	20	19	19	
WSCC	DMD/TJ Wholesale (private)	24	22	19	16	14	14	12	11	11	11	14	13	15	
Grand Total		624	599	599	541	512	517	524	522	500	496	510	474	535	
Average Inmate Population		12,626	12,610	12,546	12,496	12,486	12,486	12,513	12,492	12,517	12,540	12,548	12,532	12,533	
Percent of Inmate Population Employed		4.9%	4.8%	4.8%	4.3%	4.1%	4.1%	4.2%	4.2%	4.0%	4.0%	4.1%	3.8%	4.3%	

NDOC Industrial Programs Report of Inmates Working		FY 2011												
INST	SHOP	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY2011 MO.
ESP	Drapery	22	22	22	21	23	26	31	24	24	23	24	-	22
HDSP	Alpine Steel (private)	-	-	17	20	16	16	15	15	16	7	6	8	11
HDSP	Impact Design (private)	-	-	-	-	-	-	-	-	-	-	-	-	-
HDSP	DMD/TJ Wholesale (private)	83	85	88	85	82	80	78	78	75	76	72	76	80
JCC	RDRC	-	-	-	-	-	-	-	-	-	-	-	-	-
LCC	Garment	77	75	70	69	69	69	82	69	65	65	72	65	71
NNCC	Metal	22	15	15	15	21	18	9	13	13	14	12	49	18
NNCC	Ranch	27	30	29	24	21	22	19	25	23	22	35	34	26
NNCC	Vinyl (private)	34	33	33	30	36	27	27	28	28	21	-	-	25
NNCC	Furniture	58	40	38	46	50	51	53	57	53	45	42	51	49
LCC	Mattress	23	23	21	21	22	21	20	20	19	19	19	23	21
NSP	Tag Plant	16	16	18	15	15	15	15	15	15	15	13	-	14
NSP	Printing/Book Bindery	27	27	28	28	30	29	28	26	31	31	32	27	29
SDCC	Auto/Upholstery	40	31	29	30	30	27	26	27	27	26	29	30	29
SDCC	Big House Choppers	-	-	-	-	-	-	-	-	-	-	-	-	-
ISCC	M-Truss (community)	-	9	9	9	6	6	-	5	8	8	-	11	6
SDCC	Silverline (Thomson Equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
SDCC	DMD/TJ Wholesale (private)	12	17	15	19	20	20	21	21	21	25	29	-	18
SDCC	Shelby American (private)	-	-	-	-	-	-	-	-	-	-	-	-	-
FMWCC	Jacobs Trading (private)	34	34	35	35	34	39	38	39	38	36	35	34	36
FMWCC	DMD/TJ Wholesale (private)	-	-	-	-	-	-	-	-	-	-	-	-	-
NNCC	Horses	19	17	18	22	22	24	31	30	27	26	21	22	23
WSCC	DMD/TJ Wholesale (private)	12	12	13	12	11	12	13	12	14	14	13	13	13
Grand Total		506	486	498	501	508	502	506	504	497	473	454	443	490
Average Inmate Population		12,613	12,595	12,584	12,584	12,550	12,563	12,476	12,481	12,487	12,511	12,504	12,501	12,537
Percent of Inmate Population Employed		4.0%	3.9%	4.0%	4.0%	4.0%	4.0%	4.1%	4.0%	4.0%	3.8%	3.6%	3.5%	3.9%



**REVIEW OF DEDUCTIONS FROM INMATE WAGES FOR ROOM AND  
BOARD, PRISON INDUSTRIES CAPITAL IMPROVEMENT FUND,  
AND THE VICTIMS OF CRIME FUND –  
FY 2010 AND FY 2011**



**NEVADA DEPARTMENT OF CORRECTIONS**  
**Prison Industries Payroll Assessments**

	FY 2010				FY 2011			
	(a) R & B	(b) PICl	(c) VCF	TOTAL	(a) R & B	(b) PICl	(c) VCF	TOTAL
Nevada State Prison	\$19,088	\$3,895	\$3,895	\$26,879	\$14,053	\$2,868	\$2,868	\$19,790
Northern Nevada Correctional Ctr.	80,767	16,483	16,483	113,734	60,995	12,448	12,448	85,891
Stewart Conservation Camp	23,594	4,815	4,815	33,224	39,834	8,129	8,129	56,092
Lovelock Correctional Ctr.	30,437	6,212	6,212	42,860	38,251	7,806	7,806	53,864
Florence McClure Womens Correctional Ctr.	64,212	13,105	13,105	90,422	108,674	22,178	22,178	153,031
Southern Desert Correctional Ctr.	175,274	35,770	35,770	246,815	45,515	9,289	9,289	64,093
Warm Springs Correctional Ctr.	14,501	2,959	2,959	20,419	9,897	2,020	2,020	13,936
Indian Springs Conservation Camp	6,449	1,316	1,316	9,081	8,909	1,818	1,818	12,546
High Desert State Prison	79,953	16,317	16,317	112,587	63,424	12,944	12,944	89,311
Ely State Prison	16,065	3,279	3,279	22,622	17,555	3,583	3,583	24,720
Southern Nevada Correctional Ctr.	0	0	0	0	0	0	0	0
<b>Total</b>	<b>\$510,340</b>	<b>\$104,151</b>	<b>\$104,151</b>	<b>\$718,642</b>	<b>\$407,107</b>	<b>\$83,083</b>	<b>\$83,083</b>	<b>\$573,274</b>

**(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 (PICl)**

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 2007 through FY 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<i>Beginning Balance:</i>	\$403,187	\$602,104	\$815,794	\$987,434	\$151,902
Revenue:					
Inmate Wage Assessments:	\$182,899	\$182,807	\$151,757	\$104,409	\$83,082
Interest Income:	\$16,018	\$30,883	\$19,883	\$8,059	\$184
<i>Total Revenue:</i>	\$198,917	\$213,690	\$171,640	\$112,468	\$83,266
Expenditures:	\$0	\$0	\$0	\$0	\$0
Transfer to General Fund:				\$948,000 <sup>(a)</sup>	
<i>Ending Balance:</i>	\$602,104	\$815,794	\$987,434	\$151,902	\$235,168

Notes:

<sup>(a)</sup> Section 44 of Assembly Bill 3 of the 26th Special Session provided for the transfer of \$948,000 from the Fund For New Construction of Facilities for Prison Industries to the General Fund to offset the difference between projected revenues and actual collections in the General Fund for FY 2010.

**REVIEW OF FINANCIAL STATEMENTS OF SILVER STATE  
INDUSTRIES FOR THE YEAR ENDING JUNE 30, 2011**



**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
JUNE 30, 2011  
WITH COMPARATIVE JUNE 30, 2010  
FINANCIAL STATEMENTS**

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

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**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CONSOLIDATED BALANCE SHEETS**  
As of June 30, 2011 and 2010

<b>ASSETS</b>		<b>2011</b>	<b>2010</b>
<b>Current Assets:</b>			
Cash - Unrestricted (Note 1f)			
Prison Industries	\$ 774,561		\$ 1,099,733
Prison Ranch	380,278		267,997
Total Unrestricted Cash		\$ 1,154,839	1,367,730
Accounts Receivable	910,409		643,199
Less Allowance for Doubtful Accounts	(8,502)		(14,001)
Net Accounts Receivable		901,907	629,198
Treasurer's Interest Receivable (Note 12a)		241	1,164
PI Capital Revenue Receivable (Note 13b)		6,936	7,097
Deposits - Business Licenses (Note 6)		15,000	15,000
Livestock (Notes 1c & 7)		224,170	209,760
Inventories (Notes 1b & 3)		877,675	907,542
Harvested Crops (Note 1c)		104,991	65,389
Total Current Assets		2,130,920	1,835,150
<b>Land, land improvements, property and equipment</b>			
<b>at cost</b> (Note 2)	4,016,161		4,041,302
Less accumulated depreciation	(3,002,832)		(2,920,595)
Net Property and Equipment		1,013,329	1,120,707
<b>Other Assets:</b>			
Cash - Restricted - PI Capital (Notes 1f & 18)	228,196		144,591
Total Other Assets		228,196	144,591
<b>Total Assets</b>		<b>\$ 4,527,284</b>	<b>\$ 4,468,178</b>
<b>LIABILITIES AND CAPITAL BALANCE</b>			
<b>Current Liabilities:</b>			
Accounts Payable (Note 9)		\$ 282,709	\$ 204,009
Unearned Revenue (Note 5)		293,160	165,586
Rent and Other Deposits		10,000	10,000
Wages Payable		63,139	75,869
Accrued Warranties (Note 15)		-	9,459
Current Accrued Compensated Absences (Note 11)		106,709	129,795
Total Current Liabilities		755,717	594,718
<b>Long-Term Liabilities:</b>			
Accrued Compensated Absences (Note 11)		86,378	109,620
Total Long-Term Liabilities		86,378	109,620
Total Liabilities		842,095	704,338
<b>Capital:</b>			
Contributed Capital	\$ 2,193,440		2,193,440
Retained Earnings	1,491,749		1,570,400
Total Capital		3,685,189	3,763,840
<b>Total Liabilities and Capital Balance</b>		<b>\$ 4,527,284</b>	<b>\$ 4,468,178</b>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(With Interfund Sales Eliminated)  
For the year ending June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenue from Operations:</b>		
<b>Industry Sales</b>	\$ 2,039,937	\$ 2,420,796
Less Cost of Sales	<u>(1,561,558)</u>	<u>(1,665,339)</u>
Gross Profit from Industry sales	\$ 478,379	<u>755,457</u>
<b>Ranch Sales</b>	1,832,882	1,217,799
Less Cost of Sales	<u>(1,042,600)</u>	<u>(690,731)</u>
Gross Profit from Ranch sales	<u>790,282</u>	<u>527,068</u>
<b>Industry Freight</b>	(16,443)	(44,715)
<b>General Manufacturing Expenses:</b>	<u>(1,311,215)</u>	<u>(1,244,766)</u>
<b>Net Income from Operations:</b>	<b>(58,997)</b>	<b>(6,955)</b>
<b>General and Administrative Expenses:</b>	(823,008)	(1,667,916)
<b>Other Income and Expenses</b>	<u>800,408</u>	<u>(162,506)</u>
<b>Net Income (Loss)</b>	<b><u>\$ (81,597)</u></b>	<b><u>\$ (1,837,377)</u></b>

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

**By Budget Account**

(With Interfund Sales Eliminated)  
For the year ending June 30, 2011 and 2010

**Budget Account 3719 - Prison Industries**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenue from Operations:</b>		
<b>Industry Sales</b>	\$ 2,039,937	\$ 2,420,796
Less Cost of Sales	<u>(1,561,558)</u>	<u>(1,665,339)</u>
Gross Profit from Industry sales	\$ 478,379	755,457
<b>Industry Freight</b>	(16,443)	(44,715)
<b>Institutional Overhead Expenses:</b>	<u>(758,921)</u>	<u>(754,416)</u>
<b>Net Income from Operations:</b>	<b>(296,985)</b>	<b>(43,673)</b>
<b>General and Administrative Expenses:</b> (Note 16)	(823,008)	(1,667,916)
<b>Other Income and Expenses</b>	<u>717,142</u>	<u>672,747</u>
<b>Net Income (Loss)</b>	<b><u>\$ (402,851)</u></b>	<b><u>\$ (1,038,843)</u></b>

**Budget Account 3727 - Prison Dairy**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenue from Operations:</b>		
<b>Ranch Sales</b>	\$ 1,832,882	\$ 1,217,799
Less Cost of Sales	<u>(1,042,600)</u>	<u>(690,731)</u>
Gross Profit from Ranch sales	\$ 790,282	527,068
<b>Institutional Overhead Expenses:</b>	(552,294)	(490,350)
<b>Other Income and Expenses</b>	<u>-</u>	<u>280</u>
<b>Net Income (Loss)</b>	<b><u>\$ 237,988</u></b>	<b><u>\$ 36,998</u></b>

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenue:</b>		
<b>Inmate Wage Assessments</b>	\$ 83,083	\$ 104,409
<b>Legislative CIP Funds Sweep</b> (Note 18)	(0)	(948,000)
<b>Other Income (Interest)</b>	<u>184</u>	<u>8,059</u>
<b>Net Income (Loss)</b>	<b><u>\$ 83,266</u></b>	<b><u>\$ (835,532)</u></b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
CONSOLIDATED STATEMENTS OF CHANGES IN RETAINED EARNINGS**  
For the year ending June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Unreserved Retained Earnings at Beginning of Year</b>	\$ 1,570,400	\$ 3,407,777
Current Period Net Income	(81,597)	(1,837,377)
Prior Period Adjustment	2,946	-
<b>Unreserved Retained Earnings at End of Year</b>	<u>1,491,749</u>	<u>1,570,400</u>
<b>Contributed Capital</b>	<u>2,193,440</u>	<u>2,193,440</u>
<b>Total Fund Equity</b>	<u>\$ 3,685,189</u>	<u>\$ 3,763,840</u>

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

For the year ending June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenue:</b>		
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$ (81,597)	\$ (1,837,377)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	82,237	127,494
Decrease (Increase) in Accounts Receivable	(272,709)	602,120
Decrease (Increase) in Interest Receivable	923	8,416
Decrease (Increase) in Prepaid Expenses	-	-
Decrease (Increase) in PI Capital Revenue Receivable	161	2,212
Increase (Decrease) in Deposits	-	-
Decrease (Increase) in Inventories	(24,145)	292,076
Increase (Decrease) in Accounts Payable	78,700	47,060
Increase (Decrease) in Unearned Revenue	127,574	50,456
Decrease (Increase) in Rent Deposits	-	4,000
Increase (Decrease) in Wages Payable	(12,730)	12,348
Increase (Decrease) in Accrued Warranty Liability	(9,459)	2,747
Increase (Decrease) in Accrued Compensated Absences	(46,328)	11,396
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (180,459)</b>	<b>(672,329)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of Equipment		-
<b>Net Cash Used by Investing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase in cash</b>	<b>(180,459)</b>	<b>(672,329)</b>
<b>Cash at beginning of year</b>		
Unrestricted	1,367,730	1,223,030
Restricted	144,591	974,343
<b>Cash at end of period</b>		<b>2,197,373</b>
Unrestricted	1,154,839	1,367,730
Restricted	228,196	144,591
<b>Total Cash at end of period</b>	<b>\$ 1,383,035</b>	<b>\$ 1,512,321</b>

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

For the year ending June 30, 2011 and 2010

Revenue:	June 30, 2011	2010
<b>License Plate Fees</b>	\$ 462,759	\$ 450,136
<b>Capital Improvement</b>	<u>83,083</u>	<u>104,409</u>
<b>Rental Income:</b>		
Vinyl Products	\$ 16,972	22,630
Shelby North America	-	32,756
Thomson Equipment	-	36,000
Diamond Mountain Distributors	25,000	27,500
Alpine Steel	45,000	60,000
Jacob's Trading Company	<u>7,200</u>	<u>3,600</u>
Total Rental Income	94,172	<u>182,486</u>
<b>Administrative Fees: (Net of reimbursements)</b>		
License Plate Fees	-	(6,755)
Vinyl Products	6,383	4,509
Shelby North America	(72)	17,123
Jacob's Trading Company	43,335	25,489
Miscellaneous Programs	5,416	4,074
Diamond Mountain Distributors	21,915	(5,897)
Alpine Steel	15,147	8,622
Most Wanted	181	212
Unreimbursable C/O Costs	(35,659)	(42,216)
Prison Dairy	<u>48,000</u>	<u>-</u>
Total Administrative Fees	104,646	5,161
Miscellaneous Revenue	<u>10,535</u>	<u>486</u>
<b>Total Revenue</b>	<u>\$ 755,195</u>	<u>\$ 742,678</u>

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

**Statements of Operations**

For the year ending June 30, 2011 and 2010

(Continued)

<b>General and Administrative Expenses:</b>	<b>June 30, 2011</b>	<b>2010</b>
Staff Salaries	\$ 438,588	\$ 445,337
Staff Fringe Benefits and other Payroll expenses	130,353	199,822
Travel expenses	11,039	7,833
Rent	53,021	65,942
Miscellaneous Office expenses	5,746	5,315
Telephone	9,860	9,033
Postage and Mailing	1,364	1,560
Advertising/Public Relations	6,770	3,871
General Insurance	10,833	14,309
Vehicle Operating expenses	5,270	5,539
Dues and Subscriptions	4,632	4,234
Depreciation expense	86,579	90,533
Improvements and Small Equipment	4,266	1,772
Bad Debt expense (Note 16)	-	720,405
Utilities	238	9,066
Miscellaneous expenses	60,458	88,029
<b>Total General and Administrative Expenses</b>	<b>\$ (829,017)</b>	<b>(1,672,600)</b>
<b>Net Income from Operations</b>	<b>(73,822)</b>	<b>(929,922)</b>
<b>Other Income (expense)</b>		
Legislative CIP funds sweep (Note 18)	-	(948,000)
Interest Revenue	1,439	17,167
Finance Charges	37,024	20,867
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ (35,359)</b>	<b>\$ (1,839,888)</b>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**LCC MATTRESS SHOP**  
**Statements of Operations**  
For the year ending June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
<b>Revenue:</b>		
<b>Sales - Mattress</b>	\$ 345,754	\$ 511,263
Less Cost of Sales:		
Direct Labor	\$ 7,868	12,381
Materials	233,889	336,793
Overhead	15,505	12,178
Total Cost of Sales	(257,262)	(361,352)
Gross Profit	88,492	149,911
Freight Revenues	10,517	8,067
Freight Expenses	(11,004)	(13,769)
Freight (Net of Revenues/Expenses)	(487)	(5,702)
<b>Contribution to G &amp; A expenses - Mattress</b>	<b>\$ 88,005</b>	<b>144,209</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	27,002	27,019
Fringe Benefits and other Payroll expenses	15,742	15,877
Inmate Labor - Office	7,247	10,170
Inmate Workers' Compensation Insurance	654	869
Travel	1,534	194
Miscellaneous Office expenses	2,240	1,675
Telephone	301	304
Postage and Mailing	141	154
Advertising/Public Relations	-	165
Dues and Subscriptions	1,250	450
Improvements and Small Equipment	-	105
Building & Grounds Improvements	-	283
Utilities	6,312	5,950
Miscellaneous expenses	1,780	1,678
Capitalized Institutional Overhead	4,165	(3,608)
Warranty expense	-	1,154
Total General and Administrative Manufacturing Expenses	(68,368)	(62,439)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ 19,637</b>	<b>\$ 81,770</b>

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

**Statements of Operations**

For the year ending June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
<b>Revenue:</b>		
<b>Sales</b>	\$ 442,550	\$ 360,530
Less Cost of Sales:		
Direct Labor	\$ 43,067	31,073
Materials	238,568	164,326
Overhead	32,649	31,287
Total Cost of Sales	(314,284)	(226,686)
Gross Profit	128,266	133,844
Freight Revenues	22,612	11,722
Freight Expenses	(11,780)	(9,367)
Freight (Net of Revenues/Expenses)	10,832	2,355
<b>Contribution to G &amp; A expenses</b>	<b>\$ 139,098</b>	<b>136,199</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	64,062	64,581
Fringe Benefits and other Payroll expenses	18,339	18,893
Inmate Labor - Office	8,571	7,210
Inmate Workers' Compensation Insurance	1,566	1,205
Miscellaneous Office expenses	1,535	184
Telephone	361	367
Advertising/Public Relations	-	1,537
Improvements and Small Equipment	394	50
Building & Ground Improvements	10	883
Utilities	2,935	4,473
Miscellaneous expenses	920	1,931
Capitalized Institutional Overhead	811	(674)
Warranty expense	83	787
Total General and Administrative Manufacturing Expenses	(99,587)	(101,427)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ 39,511</b>	<b>\$ 34,772</b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
NNCC FURNITURE AND METAL  
Statements of Operations  
For the year ending June 30, 2011 and 2010**

	June 30, 2011	June 30, 2010
<b>Revenue:</b>		
<b>Sales - Furniture</b>	\$ 441,304	\$ 301,992
Less Cost of Sales:		
Direct Labor	\$ 33,442	22,548
Materials	221,542	132,108
Overhead	84,097	75,340
Total Cost of Sales	(339,081)	(229,996)
Gross Profit	102,223	71,996
Freight Revenues	23,480	19,452
Freight Expenses	(42,497)	(52,626)
Freight (Net of Revenues/Expenses)	(19,017)	(33,174)
<b>Contribution to G &amp; A expenses</b>	<b>\$ 83,206</b>	<b>38,822</b>
 <b>Sales - Metal</b>	 120,852	 515,231
Less Cost of Sales:		
Direct Labor	20,048	47,521
Materials	77,990	237,710
Overhead	40,666	63,065
Total Cost of Sales	(138,704)	(348,296)
<b>Contribution to G &amp; A expenses</b>	<b>\$ (17,852)</b>	<b>166,935</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	79,645	97,815
Fringe Benefits and other Payroll expenses	26,027	31,912
Inmate Labor - Office	37,348	36,114
Inmate Workers' Compensation Insurance	3,833	3,913
Travel	5,074	10,051
Miscellaneous Office expenses	4,513	7,385
Advertising/Public Relations	98	-
Telephone	673	680
Bond Expense	200	200
Dues and Subscriptions	139	250
Improvements and Small Equipment	4,549	4,912
Building & Grounds Improvements	3,187	3,472
Utilities	31,900	32,325
Miscellaneous expenses	5,327	13,501
Capitalized Institutional Overhead	12,536	7,176
Total General and Administrative Manufacturing Expenses	(215,049)	(249,706)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ (149,696)</b>	<b>\$ (43,949)</b>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**SDCC AUTO and Upholstery Shop**  
**Statements of Operations**  
For the year ending June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
<b>Revenue:</b>		
<b>Sales From Auto/Upholstery</b>	\$ 102,977	\$ 136,730
Less Cost of Sales:		
Direct Labor	\$ 9,644	25,798
Materials	45,187	42,433
Overhead	43,532	42,337
Total Cost of Sales	(98,363)	(110,568)
Gross Profit	4,614	26,162
<b>Contribution to G &amp; A expenses - Auto/Upholstery</b>	<b>\$ 4,614</b>	<b>26,162</b>
 <b>Net Proceeds from Manpower Operations:</b>		
Diamond Mountain Distributors	6,750	4,502
<b>Contribution to G &amp; A expenses - Manpower Operations</b>	<b>6,750</b>	<b>4,502</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	48,507	41,637
Fringe Benefits and other Payroll expenses	19,696	16,465
Inmate Labor - Office	14,603	26,440
Inmate Workers' Compensation Insurance	3,853	4,050
Miscellaneous Office expenses	5,511	5,615
Telephone	699	1,069
Postage and Mailing	342	293
Advertising/Public Relations	-	29
Bond Expense	600	700
Dues, Subscriptions, and Licenses	399	730
Improvements and Small Equipment	25	-
Building and Grounds Improvements	984	2,528
Utilities	12,212	11,313
Miscellaneous expenses	4,962	4,052
Capitalized Institutional Overhead	3,705	(15,472)
Warranty expense	89,260	62,720
Total General and Administrative Manufacturing Expenses	(205,358)	(162,169)
<b>Earnings Available for Program Support or (Net Loss)</b>	<b>\$ (193,994)</b>	<b>\$ (131,505)</b>

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

For the year ending June 30, 2011 and 2010

	June 30, 2011	June 30, 2010
<b>Revenue:</b>		
<b>Sales</b>	\$ 511,230	\$ 524,712
Less Cost of Sales:		
Direct Labor	\$ 83,246	95,322
Materials	206,735	202,886
Overhead	55,337	35,221
Total Cost of Sales	(345,318)	(333,429)
Gross Profit	165,912	191,283
Freight Revenues	21,298	18,434
Freight Expenses	(29,974)	(26,910)
Freight (Net of Revenues/Expenses)	(8,676)	(8,476)
<b>Contribution to G &amp; A expenses</b>	<b>\$ 157,236</b>	<b>182,807</b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	27,002	27,019
Fringe Benefits and other Payroll expenses	15,742	15,877
Inmate Labor - Office	4,618	6,281
Inmate Workers' Compensation Insurance	3,604	3,301
Travel	354	2,225
Miscellaneous Office expenses	2,998	2,919
Telephone	301	304
Postage and Mailing	302	353
Advertising/Public Relations	135	76
Dues and Subscriptions	-	250
Utilities	6,663	6,697
Miscellaneous expenses	1,736	1,756
Capitalized Institutional Overhead	660	596
Warranty expense	-	32
Total General and Administrative Manufacturing Expenses	(64,115)	(67,686)
<b>Earnings available for program support or (Net Loss)</b>	<b>\$ 93,121</b>	<b>\$ 115,121</b>

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES  
ESP DRAPERY  
Statements of Operations**

For the year ending June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Revenue:</b>		
<b>Sales</b>	\$ 98,156	\$ 85,327
Less Cost of Sales:		
Direct Labor	\$ 58,176	47,645
Materials	207	721
Overhead	<u>23,203</u>	<u>10,670</u>
Total Cost of Sales	<u>(81,586)</u>	<u>(59,036)</u>
Gross Profit	16,570	26,291
Freight Revenues	2,805	3,810
Freight Expenses	<u>(3,185)</u>	<u>(4,828)</u>
Freight (Net of Revenues/Expenses)	(380)	(1,018)
<b>Contribution to G &amp; A expenses</b>	<b>\$ 16,190</b>	<b><u>25,273</u></b>
 <b>General and Administrative Manufacturing Expenses:</b>		
Salaries	52,575	54,034
Fringe Benefits and other Payroll expenses	30,161	31,732
Inmate Labor - Office	12,777	16,987
Inmate Workers' Compensation Insurance	1,956	1,738
Travel	908	203
Miscellaneous Office expenses	1,723	1,612
Telephone	207	212
Postage and Mailing	97	192
Advertising/Public Relations	-	214
Utilities	7,101	6,860
Miscellaneous expenses	1,490	2,115
Capitalized Institutional Overhead	<u>-</u>	<u>71</u>
Total General and Administrative Manufacturing Expenses	<u>(108,995)</u>	<u>(115,970)</u>
<b>Earnings available for program support or (Net loss)</b>	<b><u>\$ (92,805)</u></b>	<b><u>\$ (90,697)</u></b>

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

**Statements of Operations**

For the year ending June 30, 2011 and 2010

Revenue:	June 30, 2011	June 30, 2010
<b>Revenue - Livestock</b>		
Cash Sales	\$ 71,287	\$ 79,701
Non-Cash Inventory Adjustments	26,810	5,920
Total Revenue	\$ 98,097	85,621
Less Cost of Sales:		
Direct Labor	10,589	8,541
Materials	37,439	34,946
Overhead	4,635	7,233
Total Cost of Sales	(52,663)	(50,720)
<b>Contribution to G &amp; A expenses - Livestock</b>	<b>\$ 45,434</b>	<b>34,901</b>
<b>Sales - Dairy</b>	556,172	529,160
Less Cost of Sales:		
Direct Labor	35,439	33,734
Materials	182,804	169,825
Overhead	112,214	107,443
Total Cost of Sales	(330,457)	(311,002)
<b>Contribution to G &amp; A expenses - Dairy</b>	<b>225,715</b>	<b>218,158</b>
<b>Revenue - Crops</b>		
Sales	354,120	378,250
Non-Cash Inventory Adjustments	39,602	(154,612)
Total Revenue	393,722	223,638
Less Cost of Sales:		
Direct Labor	21,839	22,087
Materials	66,597	135,530
Overhead	161,246	125,383
Total Cost of Sales	(249,682)	(283,000)
<b>(Gross Loss) Contribution to G &amp; A expenses - Crops</b>	<b>144,040</b>	<b>(59,362)</b>
<b>Boarding Fees - Estray Horses</b>	-	3,030
Less Cost of Sales:		
Direct Labor	-	-
Materials	-	193
Overhead	-	-
Total Cost of Sales	-	(193)
<b>Contribution to G &amp; A expenses - Estray Horse Boarding</b>	<b>-</b>	<b>2,837</b>
<b>Boarding Fees - BLM (Wild) Horses</b>	1,099,956	754,899
Less Cost of Sales:		
Direct Labor	56,760	36,831
Materials	648,507	375,676
Overhead	50,569	41,683
Total Cost of Sales	(755,836)	(454,190)
<b>Contribution to G &amp; A expenses - BLM Wild Horse Boarding</b>	<b>344,120</b>	<b>300,709</b>
<b>Composting Project</b>	56,584	52,593
Less Cost of Sales:		
Direct Labor	25,611	22,462
Overhead	-	306
Total Cost of Sales	(25,611)	(22,768)
<b>Contribution to G &amp; A expenses - Composting Project</b>	<b>\$ 30,973</b>	<b>\$ 29,825</b>

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

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

**Statements of Operations**

For the year ending June 30, 2011 and 2010

(Continued)

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>General and Administrative Ranch Expenses:</b>		
Salaries - Staff	\$ 261,554	\$ 260,032
Fringe Benefits and other Payroll expenses	98,058	101,514
Inmate Labor - Office	12,348	8,697
Inmate Workers' Compensation Insurance	3,654	3,524
Miscellaneous Office expenses	1,815	1,366
Telephone	1,012	387
Postage and Mailing	76	45
Advertising/Public Relations	499	528
Insurance	11,182	11,817
Dues and Subscriptions	1,474	2,541
Building and Grounds Improvements	26,059	7,739
Utilities	64,983	69,137
Miscellaneous expenses	<u>69,580</u>	<u>23,023</u>
Total General and Administrative Manufacturing Expenses	\$ (552,294)	\$ (490,350)
<b>Other Income - Excess Property Sales</b>	<u>-</u>	<u>\$ 280</u>
<b>Earnings available for program support or (Net loss)</b>	<u><b>\$ 237,988</b></u>	<u><b>\$ 36,998</b></u>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**SCHEDULE OF INTERFUND SALES**  
For the year ending June 30, 2011 and 2010

	PER STATEMENTS OF OPERATIONS	INTERFUND SALES	AFTER REMOVING INTERFUND SALES	June 30, 2010
<b>Revenue:</b>	<b>June 30, 2011</b>			
<b>Industry Sales</b>	\$ 2,062,823	\$ (22,886)	\$ 2,039,937	\$ 2,420,796
Less Cost of Sales	<u>(1,574,598)</u>	<u>13,040</u>	<u>(1,561,558)</u>	<u>(1,665,339)</u>
Gross Profit from Industry Sales	<u>488,225</u>	<u>(9,846)</u>	\$ 478,379	\$ 755,457
<b>Ranch Sales</b>	2,204,531	(371,649)	1,832,882	1,217,799
Less Cost of Sales	<u>(1,414,249)</u>	<u>371,649</u>	<u>(1,042,600)</u>	<u>(690,731)</u>
Gross Profit from Ranch Sales	790,282	-	790,282	527,068
Freight (Net of Revenues/Expenses)	<u>(17,728)</u>	<u>(1,285)</u>	<u>(16,443)</u>	<u>(44,715)</u>
<b>General Manufacturing Expenses:</b>				
Staff Salaries	560,347		560,347	572,137
Staff Fringe Benefits and other Payroll expenses	223,765		223,765	232,270
Inmate Labor	97,512		97,512	111,899
Inmate Worker's Compensation Ins.	19,120		19,120	18,600
Travel expenses	7,870		7,870	12,673
Commissions	-		-	-
Office expenses	20,335	(1,751)	18,584	18,324
Telephone	3,554		3,554	3,323
Postage and Mailing	958		958	1,037
Advertising/Public Relations	732	(801)	(69)	-
Insurance	11,982		11,982	12,717
Dues and Subscriptions	3,262		3,262	4,221
Improvements and Small Equipment	4,968		4,968	5,067
Building & Grounds Improvements	30,240		30,240	14,905
Utilities	132,106		132,106	136,755
Administrative Fees	-		-	-
Miscellaneous expenses	85,795		85,795	48,056
Capitalized Institutional Overhead	21,877		21,877	(11,911)
Warranty expense	<u>89,343</u>		<u>89,343</u>	<u>64,693</u>
Total General Manufacturing Expenses:	<u>(1,313,766)</u>	<u>(2,551)</u>	<u>(1,311,215)</u>	<u>(1,244,766)</u>
<b>Net Income from Operations:</b>	<u>\$ (52,988)</u>	<u>\$ 6,009</u>	<u>\$ (58,997)</u>	<u>\$ (6,955)</u>

**NEVADA DEPARTMENT OF CORRECTIONS**  
**SILVER STATE INDUSTRIES**  
**SCHEDULE OF INTERFUND SALES**  
For the year ending June 30, 2011 and 2010  
(Continued)

	PER STATEMENTS OF OPERATIONS	ELIMINATION ENTRIES	AFTER REMOVING INTERFUND SALES	June 30, 2010
	June 30, 2011			
<b>General and</b>				
<b>Administrative Expenses:</b>				
Staff Salaries	\$ 438,588		\$ 438,588	\$ 445,337
Staff Fringe Benefits and other Payroll expenses	130,353		130,353	199,822
Inmate Labor	-		-	-
Inmate Worker's Compensation Ins.	-		-	-
Travel expenses	11,039		11,039	7,833
Rent	53,021		53,021	65,942
Office expenses	5,746	\$ (151)	5,595	4,161
Telephone	9,860		9,860	9,033
Postage and Mailing	1,364		1,364	1,560
Advertising/Public Relations	6,770	(5,858)	912	1,652
General Insurance	10,833		10,833	14,309
Vehicle expenses	5,270		5,270	5,539
Dues and Subscriptions	4,632		4,632	4,234
Depreciation expense	86,579		86,579	90,533
Improvements and Small Equipment	4,266		4,266	461
Bad Debt expense	-		-	720,405
Utilities	238		238	9,066
Miscellaneous expenses	60,458		60,458	88,029
Total General and Administrative Expenses	(829,017)	(6,009)	\$ (823,008)	(1,667,916)
<b>Other Income (Expenses)</b>				
Interest Revenue	1,439		1,439	17,167
Finance Charges	37,024		37,024	20,867
License Plate Fees	462,759		462,759	450,136
Capital Improvement (net)	83,083		83,083	(843,591)
Rental Income	94,172		94,172	182,486
Administrative Fees	111,396		111,396	9,663
Miscellaneous Revenue	10,535		10,535	486
Excess Property Sales	-		-	280
<b>Net Income (Loss)</b>	<b>\$ (81,597)</b>	<b>\$ 0</b>	<b>\$ (81,597)</b>	<b>\$ (1,837,377)</b>

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

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

**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 Dairy and Livestock sections use the unit-livestock-price method of valuing their livestock inventories, except for any livestock purchased which are 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 Dairy (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 5% 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 Dairy, and PI Capital Improvement budget accounts.

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

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

**(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>2011</u>	<u>2010</u>
Land	\$ 153,140	\$ 153,140
Land improvements	1,982,000	1,982,000
Buildings	908,227	908,227
Furniture and equipment	<u>972,794</u>	<u>997,935</u>
Fixed assets at cost	4,016,161	4,041,302
Less accumulated depreciation	<u>(3,002,832)</u>	<u>(2,920,595)</u>
<b>Net fixed assets</b>	<b><u>\$ 1,013,329</u></b>	<b><u>\$ 1,120,707</u></b>

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, 2011, and 2010, depreciation expense was applied as follows:

<u>Cost Center</u>	<u>2011</u>	<u>2010</u>
Central Administration	\$ 86,579	\$ 90,533
LCC Mattress	775	1,311
NSP Print	8,808	8,808
NNCC Metal	907	1,707
NNCC Furniture	0	69
SDCC Auto	3,000	4,000
LCC Garment	1,203	1,861
Ranch Livestock	333	333
Ranch Crops	4,833	8,983
Ranch Dairy	<u>9,889</u>	<u>9,889</u>
Total depreciation Expense	<b><u>\$116,327</u></b>	<b><u>\$127,494</u></b>

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

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

**3. Inventories**

Inventories at June 30, 2011, 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	\$87,812	\$ 0	\$34,593	\$ 6,665	\$ 129,070
NSP Print/Bindery	34,844	368	5,066	2,464	42,742
Ranch Dairy	3,689	-	0		3,689
NNCC Metal	11,507	83,593	1,816	17,353	114,269
NNCC Furniture	52,654	8,636	22,324	19,011	102,625
SDCC Auto/Upholstery	62,888	226,425	2,178	7,379	298,870
SDCC Bighouse Choppers	3,217	0	57,818	-	61,035
LCC Garment	73,635	0	24,481	264	98,380
Ely Drapery	0	0	0	26,995	26,995
<b>Total</b>	<b>\$330,246</b>	<b>\$319,022</b>	<b>\$148,276</b>	<b>\$80,131</b>	<b>\$877,675</b>

Inventories at June 30, 2010, 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	\$ 71,004	\$ 0	\$ 46,557	\$ -	\$ 117,561
NSP Print/Bindery	40,257	5,761	11,420	3,237	60,675
Ranch Dairy	2,594	-	765	3,559	6,918
NNCC Metal	10,679	115,724	875	15,700	142,978
NNCC Furniture	50,441	8,907	83,136	17,863	160,347
SDCC Auto/Upholstery	62,455	169,521	7,872	6,970	246,818
SDCC Bighouse Choppers	2,997	0	57,818	-	60,815
LCC Garment	48,543	0	29,036	731	78,310
Ely Drapery	0	0	0	33,120	33,120
<b>Total</b>	<b>\$ 288,970</b>	<b>\$ 299,913</b>	<b>\$ 237,479</b>	<b>\$ 81,180</b>	<b>\$907,542</b>

**4. Commitments and Contingencies**

Silver State Industries administrative offices are located at the Casa Grande facility in Las Vegas and the Stewart Facility in Carson City. There are no contracts in place for either of these facilities. Warehouse space in Carson City was leased on a year-to-year basis; however, that was terminated in September of 2010. 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, 2011, and 2010, \$293,160 and \$165,586 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, 2011 and 2010

**7. Livestock**

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

Type of Livestock	Number in Herd	Unit-Livestock Value	Dairy	Livestock	Total
Holstein Bred Heifers	46	1,250	0	57,500	57,500
Milking Cows	78	900	70,200	0	70,200
Beef Calves	51	250	0	12,750	12,750
Beef Cows	61	420	0	25,620	25,620
Unweaned Calves	16	50	0	800	800
Yearling Heifers	25	450	0	11,250	11,250
Weaned Heifers	39	250	0	9,750	9,750
Weaned Holstein Breeding Bulls	8	700	0	5,600	5,600
Beef Bulls	4	1,750	0	7,000	7,000
Dairy Bulls	3	1,000	3,000	0	3,000
Dry Cows	23	900	20,700		20,700
Yearling Beef Heifers	0	0	0	0	0
Weaned Holstein Steers	0	0	0	0	0
Weaned Beef Breeding Bulls	0	0	0	0	0
<b>Grand Total</b>	<b>354</b>		<b>93,900</b>	<b>130,270</b>	<b>224,170</b>

The Dairy's Livestock inventory at June 30, 2010, consisted of the following:

Type of Livestock	Number in Herd	Unit-Livestock Value	Dairy	Livestock	Total
Holstein Bred Heifers	17	1,250	0	21,250	21,250
Milking Cows	91	900	81,900	0	81,900
Beef Calves	50	250	0	12,500	12,500
Beef Cows	50	420	0	21,000	21,000
Unweaned Calves	24	50	0	1,200	1,200
Yearling Heifers	28	450	0	12,600	12,600
Weaned Heifers	41	250	0	10,250	10,250
Weaned Holstein Bulls	6	700	0	4,200	4,200
Beef Bulls	6	1,750	0	10,500	10,500
Dairy Bulls	1	1,000	1,000	0	1,000

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

<b>Dry Cows</b>	26	900	23,400	0	23,400
<b>Beef Heifers Bred</b>	14	600	0	8,400	8,400
<b>Weaned Holstein Steers</b>	2	180	0	360	360
<b>Weaned Beef Breeding Bulls</b>	2	400	0	800	800
<b>Feeder Beef Steers</b>	1	400	0	400	400
<b>Grand Total</b>	359		106,300	103,460	209,760

**8. Accounts Receivable**

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

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

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

Accounts receivable at June 30, 2010, consist of the following:

<u>CUSTOMER TYPE</u>	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL</u>
Private Sector	434,798	67.60%
Department of Corrections	92,797	14.43%
Other State Agencies	37,261	5.79%
Other Governments	78,343	12.18%
Total Accounts Receivable	643,199	
Less an allowance for doubtful Accounts	(14,001)	
Net Realizable Value	629,198	

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

The private sector is made up of 66 individual accounts as of 06/30/10. \$378,973 of the \$434,798 private sector receivables is made up of five customers' accounts. The largest account's balance represents 14.27% of the total receivables at \$91,798 (has a \$109,369 balance as of 09/09/10.) Coming in second at 13.38% is a balance of \$86,048 (has a balance of \$100,699 as of 09/09.) Next is \$81,371 for 12.65% of total receivables (has a balance of \$48,868 as of 09/09.) It is followed by an account balance of \$73,247 for an 11.39% share of receivables (has a balance of \$81,425 as of 09/09. The last ranking major account comes in at \$46,509 at 7.23% (has a \$46,478 balance as of 09/09.) All other private sector accounts have minimal balances.

**9. Accounts Payable**

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

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

Accounts payable at June 30, 2010, consisted of the following:

<u>GROUP</u>	<u>AMOUNT</u>
Private Section Vendors	\$ 76,490
Department of Corrections	88,387
Other State Agencies	39,132
Total	<u>\$ 204,009</u>

**10. Retirement Plan**

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

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

**11. Annual and Sick Leave Benefits**

When compensatory time, annual leave, and sick leave benefits are not taken as they are earned, they accumulate to be carried over to the next year, except for annual leave in excess of 30 days. Accumulated annual leave and compensatory time are payable upon termination; however, sick leave is not, except that unused sick leave over 30 days may be partially compensated upon retirement, termination, or death, calculated at a rate of 50% of the value had it been used. The estimated liability at June 30, 2011, and 2010 was \$193,087 and \$239,415 respectively.

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

**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, 2011, and 2010, interest received was \$1,439 and \$17,167, 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, 2011, and 2010, finance charge revenue amounted to \$37,024 and \$20,867, respectively.

**13. Inmate Labor**

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

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

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

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

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

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

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

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

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

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

<u>INSTITUTION</u>	<u>(a) R &amp; B</u>	<u>(b) PICI</u>	<u>(c) VCF</u>	<u>TOTAL</u>
Nevada State Prison	\$ 14,053	\$ 2,868	\$ 2,868	\$ 19,789
Northern Nevada C.C.	60,995	12,448	12,448	85,891
Stewart Conservation C.	39,834	8,129	8,129	56,092
Lovelock Correctional C.	38,251	7,806	7,806	53,863
Florence McClure Women's C.C.	108,674	22,178	22,178	153,030
Southern Desert C.C.	45,515	9,289	9,289	64,093
Warm Springs C.C.	9,897	2,020	2,020	13,937

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

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

Indian Springs Conservation Camp	8,909	1,818	1,818	12,545
High Desert State Prison	63,424	12,944	12,944	89,312
Ely State Prison	17,555	3,583	3,583	24,721
Total	<u>\$ 407,107</u>	<u>\$ 83,083</u>	<u>\$ 83,083</u>	<u>\$573,273</u>

**13. Inmate Labor** (continued)

During the year ended June 30, 2010, the following are the assessments made to the corresponding program they supported:

<u>INSTITUTION</u>	<u>(a) R &amp; B</u>	<u>(b) PICI</u>	<u>(c) VCF</u>	<u>TOTAL</u>
Nevada State Prison	\$ 11,081	\$ 2,261	\$ 2,261	\$ 15,603
Northern Nevada C.C.	80,767	16,483	16,483	113,733
Stewart Conservation C.	23,594	4,815	4,815	33,224
Lovelock Correctional C.	38,444	7,846	7,846	54,136
Florence McClure Women's C.C.	64,212	13,105	13,105	90,422
Southern Desert C.C.	175,274	35,770	35,770	246,814
Jean Conservation Camp	0	0	0	0
Warm Springs C.C.	14,501	2,959	2,959	20,419
Indian Springs Conservation Camp	6,449	1,316	1,316	9,081
High Desert State Prison	79,953	16,317	16,317	112,587
Ely State Prison	16,065	3,279	3,279	22,623
Southern Nevada C.C.	0	0	0	0
Total	<u>\$ 510,340</u>	<u>\$ 104,151</u>	<u>\$ 104,151</u>	<u>\$718,642</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 Dairy, 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, 2011, and 2010, Silver State Industries expensed the majority of warranty expense as it occurred. Expected warranty costs for certain cost centers are accrued in order to charge the warranty expense to the period in which the sale was recorded. Warranty costs may be accrued in the Central Administration office which represents anticipated damage to products occurring during shipments made by Silver State Industries. Following are the accruals made for each applicable cost center for the years ending June 30, 2011 and 2010:

**NEVADA DEPARTMENT OF CORRECTIONS  
SILVER STATE INDUSTRIES**

Notes to Financial Statements for the Years Ended June 30, 2011 and 2010

<b>COST CENTER</b>	<b>2011</b>	<b>2010</b>
LCC Mattress	\$ 0	\$ 0
NSP Bindery/Print	0	0
NNCC Furniture	0	0
NNCC Metal	0	0
SDCC Auto	0	9,459
SDCC Bighouse Chopper	0	0
LCC Garment	0	0
ESP Drapery	0	0
Central Administration	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 0</u></b>	<b><u>\$ 9,459</u></b>

**16. Bad Debt Expense**

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

Prison Industries determined five accounts receivable accounts to be uncollectible this year. They all were turned over to the Controller's office for collection. The allowance for doubtful accounts at the beginning of the year had a \$14,001 balance. Bad debts written off totaled \$5,499. The balance for Allowance for Doubtful Accounts at the end of the year was \$8,502.

**17. Utilities**

In both 2011 and 2010, the cost of utilities has been allocated to private industries according to what NDOC charged Prison Industries.

**18. Legislative Sweep**

During a special FY 10 legislative session, the legislature "sweep" \$948,000 of the PI Capital Project fund to help make up for the state's budget shortfall.