PRELIMINARY OFFICIAL STATEMENT

$50,410,000*
NEVADA SYSTEM OF HIGHER EDUCATION
Taxable Certificates of Participation
Series 2016B

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 1, 2016

NEW ISSUE	**RATINGS: S&P: "AA-"**
BOOK-ENTRY ONLY	**Fitch: "AA"**
	See "RATINGS"

In the opinion of Sherman & Howard L.L.C., Special Counsel, interest on the 2016B Certificates is <u>*included*</u> *in gross income pursuant to the Internal Revenue Code of 1986, as amended to the date of delivery of the 2016B Certificates. See "TAX MATTERS – Federal Tax Matters."*

$50,410,000*

NEVADA SYSTEM OF HIGHER EDUCATION
Taxable Certificates of Participation
Series 2016B

Dated: Date of Delivery | **Due: July 1, as shown herein**

The Taxable Certificates of Participation, Series 2016B (the "2016B Certificates") which represent assignments of the right to receive certain revenues pursuant to an Installment Purchase Agreement and Indenture of Trust dated as of March 1, 2016, between the Nevada System of Higher Education (the "System"), as issuer, and U.S. Bank National Association, as Trustee (the "Indenture").

The 2016B Certificates are issued as fully registered certificates in denominations of $5,000 or any integral multiple thereof. The 2016B Certificates initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the 2016B Certificates. Purchases of the 2016B Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2016B Certificates. See "THE 2016B Certificates – Book-Entry Only System." The 2016B Certificates bear interest at the rates set forth on the inside cover page, payable semiannually on January 1 and July 1 of each year, beginning July 1, 2016, to and including the maturity dates shown herein (unless the 2016B Certificates are redeemed earlier), by check or draft mailed to the registered owner of the 2016B Certificates, initially Cede & Co. The principal of the 2016B Certificates will be payable upon presentation and surrender at the operations office of U.S. Bank National Association, Phoenix, Arizona, or its successor as Trustee. See "THE 2016B Certificates."

The maturity schedule for the 2016B Certificates is set forth on the inside cover page of this Official Statement.

The 2016B Certificates are subject to redemption prior to maturity at the option of the System and certain of the 2016B Certificates are also subject to mandatory sinking fund redemption. See "THE 2016B Certificates – Prior Redemption." <u>The 2016B Certificates are not subject to extraordinary mandatory redemption prior to maturity</u>.

Proceeds of the 2016B Certificates will be used to: (i) refund a prior outstanding obligation of the System; and (ii) pay the costs of issuing the 2016B Certificates. See "SOURCES AND USES OF FUNDS."

The Indenture, the 2016B Certificates, and the interest thereon do not constitute a general obligation of the System within the meaning of any constitutional, statutory or debt limitation. The 2016B Certificates will be payable solely from Revenues, which will be payable to the Trustee from any monies of the System legally available for the purpose of making such payment, and from amounts on deposit in the Certificate Fund. The System's obligation to pay Base Payments pursuant to the Indenture is unconditional and not subject to annual cancellation by the System. The System does not pledge its full faith and credit to the payment of the 2016B Certificates. <u>The System has no taxing power</u>. See "SECURITY FOR THE 2016B Certificates." The 2016B Certificates do not constitute a debt or indebtedness of the State of Nevada (the "State") or a charge against the State's credit or taxing power.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

The 2016B Certificates are offered when, as, and if issued and accepted by the System, subject to the approval of legality of the 2016B Certificates by Sherman & Howard L.L.C., Reno and Las Vegas, Nevada, Special Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. also has acted as special counsel to the System in connection with this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Reno, Nevada. It is expected that the 2016B Certificates will be available for delivery through the facilities of DTC on or about March 22, 2016.

Citigroup

Morgan Stanley & Co. LLC | **Robert W. Baird & Co., Inc.**

Official Statement dated March __, 2016.

* Preliminary, subject to change.

TAXABLE CERTIFICATES OF PARTICIPATION
Representing Assignments of the Right to Receive Certain Revenues
Pursuant to an Installment Purchase Agreement and Indenture of Trust
Between the NEVADA SYSTEM OF HIGHER EDUCATION and
U.S. BANK NATIONAL ASSOCIATION

$50,410,000*
TAXABLE CERTIFICATES OF PARTICIPATION
SERIES 2016B

Maturity Schedule
(CUSIP© 6-digit issuer number: _______)

Maturing (July 1)	Principal Amount*	Interest Rate	Yield	CUSIP© Issue Number	Maturing (July 1)	Principal Amount*	Interest Rate	Yield	CUSIP© Issue Number
2017	$1,015,000				2032	$1,555,000			
2018	1,030,000				2033	1,625,000			
2019	1,045,000				2034	1,695,000			
2020	1,070,000				2035	1,765,000			
2021	1,095,000				2036	1,845,000			
2022	1,120,000				2037	1,925,000			
2023	1,150,000				2038	2,015,000			
2024	1,185,000				2039	2,105,000			
2025	1,220,000				2040	2,205,000			
2026	1,260,000				2041	2,305,000			
2027	1,300,000				2042	2,410,000			
2028	1,345,000				2043	2,520,000			
2029	1,390,000				2044	2,635,000			
2030	1,445,000				2045	2,755,000			
2031	1,500,000				2046	2,880,000			

* Preliminary, subject to change.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, the inside cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 2016B Certificates in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2016B Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by the System. The System maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2016B Certificates.

The information set forth in this Official Statement has been obtained from the System and from the other sources referenced throughout this Official Statement which the System believes to be reliable. No representation is made by the System, however, as to the accuracy or completeness of such information received from parties other than the System. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2016B Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the System, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the 2016B Certificates and may not be reproduced or used in whole or in part for any other purpose.

The 2016B Certificates have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The 2016B Certificates have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE 2016B CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS OF THE 2016B CERTIFICATES (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS OF THE 2016B CERTIFICATES MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2016B CERTIFICATES, THE UNDERWRITERS OF THE 2016B CERTIFICATES MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2016B CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEVADA SYSTEM OF HIGHER EDUCATION

ADMINISTRATIVE OFFICERS

Chancellor: Daniel J. Klaich
Vice Chancellor for Finance and Administration: Vic Redding
Associate Vice Chancellor for Budget and Finance: Larry Eardley
Vice Chancellor for Academic and Student Affairs: Crystal Abba
Vice Chancellor for Legal Affairs: Brooke Nielsen
Vice Chancellor for Government and Community Affairs: Dr. Constance Brooks
Vice Chancellor for Health Sciences: Dr. Marcia Turner
Vice Chancellor for Information Technology: Steven Zink

SPECIAL COUNSEL

Sherman & Howard L.L.C.
Las Vegas and Reno, Nevada

FINANCIAL ADVISOR

JNA Consulting Group, LLC
Boulder City, Nevada

TRUSTEE AND ESCROW AGENT

U.S. Bank National Association
Phoenix, Arizona

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OFFICIAL STATEMENT

$50,410,000*
TAXABLE CERTIFICATES OF PARTICIPATION, SERIES 2016B
Representing Assignments of the Right to Receive Certain Revenues
Pursuant to an Installment Purchase Agreement and Indenture of Trust
Between the NEVADA SYSTEM OF HIGHER EDUCATION and
U.S. BANK NATIONAL ASSOCIATION

INTRODUCTION

General

This Official Statement, which includes the cover page, the inside cover page and the appendices, is furnished in connection with the issuance and sale of (i) $50,410,000* aggregate principal amount of Taxable Certificates of Participation, Series 2016B (the "2016B Certificates"). The 2016B Certificates represent assignments of the right to receive certain revenues pursuant to an Installment Purchase Agreement and Indenture of Trust dated as of March 1, 2016 (the "Indenture"), between the Nevada System of Higher Education (the "System"), as issuer, and U.S. Bank National Association, as trustee (the "Trustee"). The 2016B Certificates are issued pursuant to the Indenture.

The offering of the 2016B Certificates is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2016B Certificates. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled "CERTAIN RISK FACTORS." Detachment or other use of this "INTRODUCTION" without the entire Official Statement, including the cover page and appendices, is unauthorized. Unless otherwise provided, capitalized terms used herein are defined in Appendix C hereto.

The Issuer

The System was established by the Nevada State Constitution in 1864 as a body corporate and politic. Formerly known as the University of Nevada and the University and Community College System of Nevada, the System is the only public institution of higher learning in the State. The System has two principal university campuses (at the University of Nevada, Las Vegas ("UNLV") and the University of Nevada, Reno ("UNR") (collectively, UNLV and UNR are referred to herein as the "Universities"). The System also includes: the Desert Research Institute ("DRI"), the System's basic and applied environmental research division; four community colleges (College of Southern Nevada in North Las Vegas and additional campuses in southern Nevada, Great Basin College in Elko, Truckee Meadows Community College in Reno, and Western Nevada College in Carson City (collectively, the "Community Colleges")) and Nevada State College at Henderson ("Nevada State College"). See "THE SYSTEM."

Purpose

Proceeds of the 2016B Certificates will be used to: (i) refund a prior outstanding obligation of the System (the "Refunding Project"), and (ii) pay the costs of issuing the 2016B Certificates. See "SOURCES AND USES OF FUNDS" for more detailed description of the Refunding Project.

Authority for Issuance

The 2016B Certificates will be issued under authority granted by the constitution and laws of the State, particularly Section 396.425, Nevada Revised Statutes ("NRS") and Nevada Constitution Article 11, Section 4, and pursuant to the Indenture.

The 2016B Certificates; Prior Redemption

The 2016B Certificates are issued solely as fully registered certificates in the denomination of $5,000, or any integral multiple thereof. The 2016B Certificates are dated, mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page of this Official Statement. The payment of principal of and interest on the 2016B Certificates is described in "THE 2016B Certificates – Payment Provisions." The 2016B Certificates initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), the securities depository for the 2016B Certificates. Purchases of the 2016B Certificates are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2016B Certificates. See "THE 2016B Certificates – Book-Entry Only System."

The 2016B Certificates are subject to redemption prior to maturity at the option of the System and certain of the 2016B Certificates are also subject to mandatory sinking fund redemption. See "THE 2016B Certificates – Prior Redemption of 2016B Certificates."

The 2016B Certificates are not subject to extraordinary mandatory redemption prior to maturity.

Security

General. The 2016B Certificates and the interest thereon are payable solely from Revenues received by the Trustee pursuant to the Indenture. The Indenture defines "Revenues" to mean: (i) the Base Payments (defined below); (ii) any earnings on moneys on deposit in the Certificate Fund; (iii) all other revenues derived from the Indenture, excluding Additional Payments (as defined below) and excluding payments constituting compensation to the Trustee for its services or reimbursement to the Trustee for costs or expenses; and (iv) any other moneys to which the Trustee may be entitled for the benefit of the owners of the 2016B Certificates (the "Owners").

Neither the Indenture nor the 2016B Certificates and the interest thereon constitute a general obligation of the System within the meaning of any constitutional, statutory or debt limitation.

"Base Payments" means the payments payable by the System to the Trustee for distribution to the Owners pursuant to the Indenture. The Base Payments will equal the amount of principal and interest due on the 2016B Certificates on each payment date. See "BASE PAYMENTS SCHEDULE."

The Base Payments are payable from all System funds legally available for the purpose of making such payment, and the System covenants in the Indenture to make sufficient provision annually in its budget to pay the Base Payments under the Indenture when due.

"Additional Payments" means charges and costs (together with all interest and penalties that may accrue thereon in the event that the System shall fail to pay the same, as specifically set forth in the Indenture) which the System assumes or agrees to pay under the Indenture. Additional Payments do not include the Base Payments or the Redemption Price.

Legally Available Funds Generally. Legally available funds of the System currently consist of the following general categories: student tuition and fees (to the extent not pledged to outstanding System bonds as described below); revenues from auxiliary enterprises, such as residence halls, dining facilities, parking facilities, and special events facilities (to the extent not pledged to outstanding System bonds as described below); revenues from educational department sales and services; and interest income earned on sources which are not restricted. Each of these sources is discussed in more detail in "SECURITY FOR THE 2016B Certificates – Sources of System Revenues" herein. Also see the table in "SYSTEM FINANCIAL INFORMATION – Financial Statements and Historical Financial Information" herein. **For an illustration of certain legally available revenues remaining after the payment of the outstanding System bonds described below, see the table entitled "History of Universities Net Pledged Revenues" under "SECURITY FOR THE 2016B Certificates" herein. The precise sources of legally available revenues may change from time to time.** Funds that currently are legally available may become subject to restriction in the future and funds that currently are restricted may become legally available in the future. *Funds appropriated for the System by the State of Nevada (the "State") do not constitute legally available revenues of the System. Funds legally restricted to specific uses also are not legally available revenues of the System. Examples of restricted funds include, but are not limited to, endowment funds and the interest thereon, grant and contract revenue (comprised generally of grants and contracts for research, public service, instruction and training programs, fellowships, scholarships, endowment scholarship programs, and student aid programs, and grants for construction projects).* See "SECURITY FOR THE 2016B Certificates – Sources of System Revenues" and "SYSTEM FINANCIAL INFORMATION" for information on the sources and amounts of System funds.

System's Obligation to Pay Base Payments and Additional Payments is Unconditional. The System's obligation to pay the Base Payments and Additional Payments required under the Indenture during the Agreement Term (defined in Appendix C), is absolute and unconditional and payment of the Base Payments and Additional Payments during the Agreement Term shall not be abated through accident or unforeseen circumstances. **The System's obligation to make sufficient provision annually in its budget to pay the Base Payments when due is not subject to annual cancellation by the System.**

Limited Obligations. Each 2016B Certificate represents assignments of the right to receive Revenues under the Indenture. The 2016B Certificates are payable solely from Revenues as, when and if the same are received by the Trustee, from amounts on deposit in the Certificate Fund. The Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The 2016B Certificates shall not constitute or give rise to a general obligation or indebtedness of the State or a general obligation of the System within the meaning of any constitutional, statutory or debt limitation. Neither the Indenture nor the 2016B Certificates shall constitute a general obligation of the System, and the System shall have no obligation with respect to the 2016B Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Indenture; and the Indenture shall not create any pecuniary liability on the part of the directors or officers of the System. The System does not pledge its full faith and credit for the payment of the 2016B Certificates. The System has no taxing power. See "SECURITY FOR THE 2016B Certificates."

Outstanding Bonds with Prior Liens on Portions of the Legally Available Revenues. The System has outstanding numerous bond issues payable from certain of its legally available revenues. As described below, these bonds are secured by and payable from specified revenue sources; however, those revenue sources also comprise legally available revenues. As a result, the specified revenue sources must be used to pay debt service on the outstanding bonds described herein (see "DEBT STRUCTURE – Outstanding Bonds") and any additional bonds issued in the future before such revenues are available to pay Base Payments and Additional Payments.

Universities Revenue Bonds. As of March 1, 2016, the System will have outstanding $417,675,000 aggregate principal amount of revenue bonds used to fund capital projects on behalf of the Universities (the "Universities Revenue Bonds") and the System anticipates issuing its Universities Revenue Bonds, Series 2016A (the "2016A Bonds") in the aggregate principal amount of $58,280,000* in April 2016 to refinance existing Universities Revenue Bonds for interest savings. The Universities Revenue Bonds are special, limited obligations of the System payable solely from, and secured by a pledge of and various liens upon: (i) certain student fees imposed at the Universities, (ii) net revenues from student housing and dining facilities, parking facilities and special event facilities at UNLV, (iii) net revenues from student housing and dining facilities and parking facilities at UNR, and (iv) all grants, conditional or unconditional, from the United States of America, the State or any other donor which are specifically designated for the payment of the Universities Revenue Bonds (collectively, the "Universities Net Pledged Revenues"). The 2016B Certificates have no lien on the Universities Net Pledged Revenues. See the table entitled "History of Universities Net Pledged Revenues" herein.

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* Preliminary, subject to change.

No Outstanding Community College Revenue Bonds. The System does not have any outstanding revenue bonds used to fund capital projects on behalf of the Community Colleges ("Community College Revenue Bonds").

Additional Universities Revenue Bonds and Community College Revenue Bonds. The System is authorized to issue additional Universities Revenue Bonds upon the satisfaction of certain conditions contained in the bond resolutions authorizing its existing bonds subject to certain authorization from the State legislature as to amount and could also issue Community College Revenue Bonds in the future. Other than the 2016A Bonds, the System currently does not anticipate issuing any additional revenue bonds in 2016, the System does anticipate issuing such bonds in the foreseeable future and may do so at any time legal requirements are met. Any additional Universities Revenue Bonds will have a lien on the Universities Net Pledged Revenues and will be payable from the Universities Net Pledged Revenues before any such revenues are available for payment of the 2016B Certificates. Any Community College Revenue Bonds could have a lien on student fees at the Community Colleges and certain other legally available revenues before any such revenues are available for payment of the 2016B Certificates.

<u>Other System Obligations Payable from Legally Available Revenues</u>. As of March 1, 2016, the System will have outstanding $73,668,387 and proposed $27,840,000 aggregate principal amount of bank loans and leases and outstanding $97,210,000 aggregate principal amount of Certificates of Participation (the "Prior Certificates") issued on behalf of the Universities and the Community Colleges. The bank loans, leases and the Prior Certificates also are payable from all legally available revenues of the System (*i.e.*, the same sources of revenue as the 2016B Certificates) and the System has covenanted to provide sufficient funds for their payment in its budget. The bank loans, leases and the Prior Certificates are payable from legally available revenues of the System on the same basis as the 2016B Certificates. The System may enter into additional bank loans and leases at any time. Any additional bank loans, leases and certificates of participation will be payable from legally available revenues of the System on the same basis as the 2016B Certificates. As a result, the issuance of any additional bank loans, leases and certificates of participation will dilute the revenues available to pay the 2016B Certificates.

In connection with the issuance of Certificates of Participation by the State in 2013 (the "2013 State Certificates") to finance the construction of certain buildings and facilities for Nevada State College, the System entered into an agreement with the State in the aggregate outstanding principal amount of $50,445,000 as of March 1, 2016. The System's annual obligation is approximately $3.4 million through fiscal year 2043 and is contingent on the State's continued appropriation to Nevada State College to pay the 2013 State Certificates. The System uses State appropriations to Nevada State College and certain fees paid by students at Nevada State College to partially defray its annual payment obligations to the State. The fees generated by students at Nevada State College are legally available revenues of the System. The issuance of additional certificates of participation by the State on behalf of the System could dilute the revenues available to pay 2016B Certificates.

Professionals

Sherman & Howard L.L.C., Reno and Las Vegas, Nevada has acted as Special Counsel with respect to issuance of the 2016B Certificates and also has acted as Special Counsel to the System in connection with preparation of this Official Statement. The fees of Sherman & Howard L.L.C. are not contingent upon the delivery of the 2016B Certificates and will be paid at closing from 2016B Certificate proceeds. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Reno, Nevada. The System's financial advisor in connection with the 2016B Certificates is JNA Consulting Group, LLC, Boulder City, Nevada. See "FINANCIAL ADVISOR." The fees being paid to the Financial Advisor are contingent upon the delivery of the 2016B Certificates. The financial statements in Appendix A of this Official Statement have been audited by Grant Thornton LLP, certified public accountants, San Jose, California, as stated in their report appearing herein. The audited financial statements of the System are public documents and pursuant to State law, no consent from the auditors is required to be obtained prior to inclusion of the audited financial statements in this Official Statement. See "INDEPENDENT ACCOUNTANTS." U.S. Bank National Association, Phoenix, Arizona, will act as the Trustee for the 2016B Certificates and also will act as the Escrow Agent in connection with the Refunding Project. Certain mathematical computations regarding the escrow accounts established for the Refunding Project will be verified by Causey Demgen & Moore P.C., a firm of independent public accountants. See "SOURCES AND USES OF FUNDS – The Refunding Project – Verification of Mathematical Computations."

Continuing Disclosure Undertaking

The System will execute a continuing disclosure certificate (the "Disclosure Certificate") at the time of the closing for the 2016B Certificates. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the 2016B Certificates and the System will covenant in the Indenture to comply with its terms. The Disclosure Certificate will provide that, so long as the 2016B Certificates remain outstanding, the System will provide the following information to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access ("EMMA") system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain material events; all as more particularly described in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix F. In the last five years, the System has not failed to materially comply with any undertakings made pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"). However, the System did file its annual filings relating to fiscal year 2011 with EMMA three days late. The annual filings relating to fiscal years 2012, 2013, 2014 and 2015 were filed on time.

Tax Matters

In the opinion of Special Counsel, interest on the 2016B Certificates is <u>included</u> in gross income pursuant to the Internal Revenue Code of 1986, as amended to the date of delivery of the 2016B Certificates (the "Tax Code"). See "TAX MATTERS – Federal Tax Matters."

Under the laws of the State in effect as of the date of delivery of the 2016B Certificates, the 2016B Certificates, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS. See "TAX MATTERS – State Tax Exemption."

Additional Information

This introduction is only a brief summary of the provisions of the 2016B Certificates, the Indenture and the Project; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the System, the Board, the Project, the 2016B Certificates and the Indenture are included in this Official Statement. All references herein to the 2016B Certificates, the Indenture and other documents or statutes are qualified in their entirety by reference to such documents and all capitalized terms used herein which are not defined have the meanings given such terms in the Indenture. *This Official Statement speaks only as of its date, and the information contained herein is subject to change*.

Copies of the Indenture, other documents and additional information may be obtained from the System and the Financial Advisor at the following addresses:

Nevada System of Higher Education
Attn: Vice Chancellor for Finance and Administration
2601 Enterprise Road
Reno, NV 89512
Telephone: (775) 784-4901

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Boulder City, NV 89005
Telephone: (702) 294-5100

CERTAIN RISK FACTORS

The purchase of the 2016B Certificates involves special risks and the 2016B Certificates may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among others factors discussed herein, could affect the payment of the 2016B Certificates and could affect the market price of the 2016B Certificates to an extent that cannot be determined at this time. *The following does not purport to be an exhaustive or definitive listing of risks and other considerations which may be relevant to investing in the 2016B Certificates. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks. There can be no assurance that other risk factors not discussed herein will not become material in the future*.

Sources of Base Payments are Limited

All payments by the System under the Indenture (including Base Payments and Additional Payments) are payable from any monies of the System legally available for the purpose of making such payment, and the System covenants in the Indenture to make sufficient provision annually in its budget to pay the principal of and interest on the 2016B Certificates when due. The 2016B Certificates do not constitute a debt or indebtedness of the State or a charge against the State's credit or taxing power. The 2016B Certificates represent assignments of the right to receive Revenues under the Indenture. The 2016B Certificates are payable solely from Revenues received by the Trustee and from amounts paid on deposit in the Certificate Fund and do not constitute a general obligation of the System within the meaning of any constitutional or statutory debt limitation. The System does not pledge its full faith and credit to the payment of the 2016B Certificates. See "SECURITY FOR THE 2016B Certificates."

No Mortgage or Lien Interests Secure the 2016B Certificates; No Pledge of Property

The 2016B Certificates are not secured by a mortgage, lien or security interest on or in any of the funds or other assets of the System other than the Revenues paid to the Trustee pursuant to the Indenture. Rather, the 2016B Certificates are secured by the System's covenant to budget sufficient amounts to pay Base Payments and Additional Payments. For a discussion of existing liens on certain of the System's legally available revenues, see "SECURITY FOR THE 2016B Certificates – Existing Liens on Certain Legally Available Revenues." The Indenture does not prohibit the System from incurring additional debt or other obligations with a lien on (or payable from) its legally available revenues. To the extent that any other debt of the System presently or in the future is secured by a pledge, mortgage, lien or security interest, the owners thereof would have priority as to payment from the property subject thereto over owners of the 2016B Certificates.

No property of the System is liable to be forfeited or taken in payment of the 2016B Certificates. If an Event of Default occurs under the Indenture, neither the Trustee nor the Owners will be able to foreclose on any mortgage or other property of the System. See the sections entitled "Defaults" and "Remedies on Default" in Appendix C - Summary of Certain Provisions of the Indenture.

Future Capital Expenditures

The System's future capital expenditures may be funded by additional borrowings. Although such expenditures are largely discretionary, the failure to continue capital expenditures could result in a loss of competitive position. It is likely that the System will issue additional bonds secured by the Universities Net Pledged Revenues to fund capital expenditures in the future. Those additional bonds will be payable from the Universities Net Pledged Revenues prior to the availability of such revenues to pay Base Payments to the Trustee for payment of the principal of and interest on the 2016B Certificates. In addition, it is likely that the System will enter into additional certificates of participation, bank loans and leases to finance capital expenditures. Such bank loans and leases are expected to be payable from all legally available revenues of the System. Issuance of such additional instruments will dilute the revenues available to pay the Base Payments under the Indenture.

Risks Related to System Operations

The ability of the System to meet its payment obligations under the Indenture will depend upon the continued availability to the System of revenues from a variety of sources sufficient to meet such obligations, the System's operating expenses, debt service on other debt, extraordinary costs or expenses which may occur and other costs and expenses. Revenues and expenses of the System will be affected by future events and conditions relating generally to, among other things, the ability of the System to provide educational programs to attract and retain sufficient numbers of students during the time that the 2016B Certificates remain outstanding, demographic changes that may affect the number of students, particularly traditional students, who will be attracted to and enroll at the System's institutions, the ability of the Board of Regents to direct and the System's administration to manage and operate the System, the System's ability to control expenses, the System's ability to maintain or increase rates for tuition and registration fees without adversely affecting enrollment, the ability of the System to maintain adequate physical plant to house its programs; the ability of the System to attract and retain quality faculty members for its educational programs, the investment of the System's endowment and other funds, the ability of the System to solicit and obtain future gifts and bequests, governmental assistance for student financial aid, and grants and contracts from governmental bodies, agencies and others, and the System's ability to react to fluctuating investment income from its operating and endowment funds. No assurances can be given that these or other sources of revenues will be adequate to meet the expenses of the System while the 2016B Certificates are outstanding.

Admission and Enrollment Trends. Revenues available to pay Base Payments under the Indenture are dependent upon student enrollment figures. Accordingly, any circumstances that significantly reduce the number of students at the Universities or the Community Colleges may negatively impact such revenues.

Increasing Need for Financial Aid. The System operates in a competitive market for students with other educational institutions. As registration fees and tuition costs have risen, so has the demand for financial aid. The System expects that students will require more financial aid than past populations. The System staff expects that it will continue to have to balance its rate of increase in tuition and fees and financial aid needs in the future in order to attract sufficient numbers of qualified students. Any increases in financial aid provided by the System could reduce funds available for programs and for the payment of Base Payments under the Indenture and the other obligations of the System.

System Appropriation. A significant portion of System revenues come from amounts appropriated by the State Legislature (the "Legislature"). Amounts appropriated by the Legislature are critical to the continuing operation of the System's programs and facilities. See "SYSTEM FINANCIAL INFORMATION – Budget." Should the Legislature significantly cut amounts appropriated to the System in the future, it may not be able to maintain facilities and programs that attract prospective students. Should that occur, the amount of revenues available to pay Base Payments under the Indenture may be negatively impacted.

Future Conditions are Uncertain; Sequestration. Future revenues and expenses of the System will be subject to conditions which may differ from current conditions to an extent that cannot be determined at this time. Descriptions of the System's operations and other factors that will affect the System's ability to meet its payment obligations under the Bond Resolution are contained in "THE SYSTEM" and "SYSTEM FINANCIAL INFORMATION."

For example, the System, like other governmental entities, is subject to developments at the federal level with respect to the Budget Control Act of 2011 ("sequestration"). Federal funding to the System for research and other grants will be reduced by the percentage included in the executive order implementing sequestration. Federal grants and contracts accounted for 19.5% and 18.9% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively. See "SYSTEM FINANCIAL INFORMATION – Financial Statements and Historical Financial Information." In addition, the originally scheduled subsidy payments on an RZEDB loan entered into in 2009 and certain Universities Revenue Bonds issued in 2010 (the "BAB Credit"), which were issued as taxable Build America Bonds ("BABs"), was reduced by 7.3% for federal fiscal year 2015 (which ended September 30, 2015) as a result of sequestration. The originally scheduled BAB Credit is to be reduced by 6.8% in federal fiscal year 2016. Under a federal budget bill enacted in November 2015, the sequestration reduction will continue through federal fiscal year 2025. The sequestration reduction rate remains subject to change should additional laws be enacted which impact the sequester.

Future Changes in Laws or Regulations

Various State laws, regulations and constitutional provisions apply to the imposition, collection, and expenditure of System revenues and the operation and finances of the System. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the operations or affairs of the System, the imposition, collection, and expenditure of its revenues or its various programs. See "SYSTEM FINANCIAL OPERATIONS."

Limitations on Remedies Available to Certificate Owners

No Acceleration. There is no provision for acceleration of maturity of the principal of the 2016B Certificates in the event of a default in the payment of principal of or interest on the 2016B Certificates. Consequently, remedies available to the owners of the 2016B Certificates may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the 2016B Certificates and the obligations incurred by the System in issuing the 2016B Certificates are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2016B Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights. The various legal opinions to be delivered concurrently with the delivery of the 2016B Certificates will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the State, and the constitutional powers of the United States of America, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Judicial Limitations on Enforcement. The remedies available to the Trustee or the Owners upon an Event of Default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Indenture may not be readily available or may be limited.

Forward-Looking Statements

This Official Statement, particularly (but not limited to) any sections discussing expected or interim financial results of the System or the State for fiscal year 2016 or amounts budgeted for fiscal year 2016 (or future fiscal years) and the sections entitled "CERTAIN RISK FACTORS," "SOURCES AND USES OF FUNDS," "SYSTEM FINANCIAL INFORMATION – Budget" and Appendix B - State Financial, Economic And Demographic Information contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of funds to pay debt service on the 2016B Certificates.

Secondary Market

No assurance can be given that a secondary market for the 2016B Certificates will be maintained by the Underwriters or by any other entity. Prospective purchasers of the 2016B Certificates should therefore be prepared to bear the risk of the investment represented by the 2016B Certificates to maturity.

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The estimated sources and uses of funds are set forth in the following table.

Sources and Uses of Funds

SOURCES OF FUNDS	Amount
Certificate proceeds	$50,410,000*
Plus: net original issue premium/discount on 2016B Certificates	
Other System funds	
Total	
USES OF FUNDS	
The Refunding Project	
Costs of issuance (including Underwriters' discount)	
Total	

Source: The Financial Advisor and the Underwriters.

The Refunding Project

A portion of the 2016B Certificate proceeds will be used to refinance on a current basis the Nevada System of Higher Education, Promissory Note, Series 2015B maturing July 1, 2016 (the "2015B Refunded Note").

To accomplish the Refunding Project, the System will deposit certificate proceeds, together with other available System funds, with the Escrow Agent pursuant to an escrow agreement dated as of the date of delivery of the 2016B Certificates. The amounts deposited with the Escrow Agent will be deposited into the escrow account created under the Indenture in such amounts as required to provide funds sufficient to pay the principal and accrued interest on the 2015B Refunded Note upon prior redemption on April 1, 2016.

Verification of Mathematical Computations

Causey Demgen & Moore P.C. ("Causey"), a firm of independent public accountants, will deliver to the System, on or before the settlement date of the 2016B Certificates, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the federal securities, to pay, when due, the maturing principal of and interest on the 2015B Refunded Note.

The verification performed by Causey will be solely based upon data, information and documents provided to Causey by the System and its representatives. Causey has restricted its procedures to recalculating the computations provided by the System and its representatives and has not evaluated or examined the assumptions or information used in the computations.

* Preliminary, subject to change.

THE 2016B CERTIFICATES

General

The 2016B Certificates will be issued as fully registered certificates in denominations of $5,000 and any integral multiple thereof. The 2016B Certificates will be dated, will mature and will bear interest as set forth on the inside cover page of this Official Statement. The 2016B Certificates initially will be registered in the name of "Cede & Co.," as nominee for DTC, the securities depository for the 2016B Certificates. Purchases of the 2016B Certificates are to be made in book-entry only form. Purchasers will not receive certificates evidencing their beneficial ownership interest in the 2016B Certificates. See "Book-Entry Only System" below.

Payment Provisions

Interest payments on the 2016B Certificates shall be payable on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing on July 1, 2016 (or, if such Interest Payment Date is not a business day, on the next succeeding business day), by check of the Trustee mailed to the registered owner thereof at his or her address as it last appears on the registration records of the Trustee at the close of business on the fifteenth day of the month next preceding each Interest Payment Date (the "Record Date"). Any such interest not so timely paid shall cease to be payable to the Person who is the registered owner thereof at the close of business on the Record Date and shall be payable to the Person who is the registered owner thereof at the close of business on a Special Record Date for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given by the Trustee to the registered owners of the 2016B Certificates, not less than ten days prior to the Special Record Date, by first-class mail to each such registered owner as shown on the Trustee's registration records on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Alternative means of payment of interest may be used if mutually agreed to between the registered owner of any Certificate and the Trustee. If the principal of any Certificate is not paid on the maturity date thereof, interest on the unpaid principal shall continue to accrue at the interest rate borne by said Certificate until such principal shall have been paid in full.

The principal of and premium, if any, on any Certificate shall be payable on the dates shown on the inside cover page of this Official Statement to the registered owner thereof as shown on the registration records of the Trustee upon maturity or prior redemption thereof and upon presentation and surrender at the principal corporate trust or principal operations office of the Trustee.

All payments of principal and interest on the 2016B Certificates shall be payable in lawful money of the United States of America, without deduction for exchange or collection charges. Payments to beneficial owners are to be made as described below in "Book-Entry Only System."

Prior Redemption*

2016B Certificates - Optional Redemption. The 2016B Certificates (or portions thereof in the amount of $5,000 or any integral multiple thereof), maturing on and after July 1, 20__, will be subject to redemption prior to their respective maturities, at the option of the System, on and after July 1, 20__, in whole or in part at any time and on a pro rata basis within a maturity as described in "Pro Rata Selection of 2016B Certificates" below, at a price equal to the principal amount of each 2016B Certificates, or portion thereof so redeemed, plus accrued interest thereon to the redemption date, without premium.

2016B Certificates - Optional Make-Whole Redemption. Prior to July 1, 20__, the 2016B Certificates may be subject to redemption prior to their respective maturities, at the option of the System, in whole or in part at any time, from any maturities selected by the System and on a pro rata basis within a maturity as described in "Pro Rata Selection of 2016B Certificates" below, at the "Make-Whole Redemption Price" computed as described below; provided, however, that if any time such redemption price is a price that exceeds the price the System can legally agree to pay to redeem the 2016B Certificates under the provisions of State law, the System shall not have an option to redeem the 2016B Certificates at that time pursuant to the provisions described in this paragraph.

Make-Whole Redemption Price. "Make-Whole Redemption Price" means a price equal to the greatest of:

(1) 100% of the principal amount of the 2016B Certificates to be redeemed;

(2) The issue price of the 2016B Certificates to be redeemed, as shown on the inside cover page of the Official Statement; or

(3) The sum of the present value of the remaining scheduled payments of principal and interest on the 2016B Certificates to be redeemed to the maturity date of such 2016B Certificates, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2016B Certificates are to be redeemed, discounted to the date on which the 2016BCertificates are to be redeemed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below), plus __ basis points.

"Treasury Rate" means, with respect to any redemption date for a particular 2016B Certificate, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the "Statistical Release") that has become publicly available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) (or, if the Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the 2016B Certificates to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

* Preliminary, subject to change.

Partial Redemption. In the case of a partial redemption of 2016B Certificates of a single maturity, the Trustee shall select the 2016B Certificates to be redeemed pro rata at such time as directed by the System (but at least 30 days prior to the redemption date), and if such selection is more than 60 days before a redemption date, shall direct the Registrar to appropriately identify the 2016B Certificates so called for redemption by stamping them at the time any 2016B Certificates so selected for redemption is presented to the Trustee for stamping or for transfer or exchange, or by such other method of identification as deemed adequate by the Registrar, and any 2016B Certificate or 2016B Certificates issued in exchange for, or to replace, any Certificate or Certificates so called for prior redemption shall likewise be stamped or otherwise identified.

Pro Rata Selection of 2016B Certificates. If a portion of a maturity of the 2016B Certificates is being redeemed in part, the 2016B Certificates to be redeemed will be selected on a pro rata basis to each Holder of the 2016B Certificates in whose name such 2016B Certificates are registered on the Regular Record Date immediately preceding the redemption date. Pursuant to the Indenture, "pro rata" for a Holder is determined, in part, by multiplying the principal amount of the 2016B Certificates of a maturity to be redeemed in part on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the applicable series of the 2016B Certificates of that maturity owned by the Holder, and the denominator of which is equal to the total amount of the 2016B Certificates of that maturity then outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral multiple of $5,000, provided that the portion of any 2016B Certificate to be redeemed shall be in $5,000 denominations and all 2016B Certificates to remain outstanding following any redemption shall be in $5,000 denominations. Adjustments to the foregoing pro rata redemption may be made in the amount of $5,000 for any Holder, so that the aggregate amount of 2016B Certificates of a maturity being redeemed in part owned by all Holders is equal to the aggregate amount of 2016B Certificates of that maturity to be redeemed.

While DTC is the registered owner of the 2016B Certificates, partial redemptions of the 2016B Certificates will be determined in accordance with DTC's operational arrangements. If a portion of a maturity of the 2016B Certificates is being redeemed in part, the 2016B Certificates to be redeemed are to be selected on a pro rata pass-through distribution of principal basis in accordance with current DTC procedures. Notwithstanding the foregoing, so long as the 2016B Certificates are held in book-entry form, the selection for redemption of such 2016B Certificates shall be made in accordance with the operational arrangements of DTC then in effect and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2016B Certificates will be selected for redemption, in accordance with DTC procedures, by lot.

The System intends that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the System and the beneficial owners of the 2016B Certificates be made in accordance with the pro rata redemption provisions described above. However, the selection of the 2016B Certificates for redemption in DTC's book-entry only system is subject to DTC's practices and procedures as in effect at the time of any such partial redemption. The System can provide no assurance that DTC or the DTC Participants or any other intermediaries will allocate redemptions among beneficial owners in accordance with the pro rata redemption provisions described above.

Redemption Procedures. Unless waived by any registered owner of a 2016B Certificates to be redeemed, notice of prior redemption shall be given by the Trustee, by first class mail, at least 30 days and not more than 60 days prior to the Redemption Date, to the Municipal Securities Rulemaking Board (the "MSRB"), the registered owner of any 2016B Certificate (initially Cede & Co.) all or a part of which is called for prior redemption at the address as it last appears on the registration records kept by the Registrar. The notice shall identify the 2016B Certificates and state that on such date the principal amount thereof will become due and payable at the Paying Agent (accrued interest to the Redemption Date is payable by mail as described above or as otherwise provided in the Indenture), and that after such Redemption Date interest will cease to accrue. After such notice and presentation of said 2016B Certificates, the 2016B Certificates called for redemption will be paid. Actual receipt of mailed notice by the MSRB and any registered owner of 2016B Certificates shall not be a condition precedent to redemption of such 2016B Certificates. Failure to give such notice by mailing to the MSRB and the registered owner of any 2016B Certificates designated for redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other 2016B Certificates.

Notwithstanding the foregoing, any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Trustee of funds on or before the date fixed for redemption sufficient to pay the redemption price of the 2016B Certificates so called for redemption, and that if such funds are not available, such redemption is to be canceled by written notice to the owners of the 2016B Certificates called for redemption in the same manner as the original redemption notice was mailed.

Book-Entry Only System

The 2016B Certificates will be available only in book-entry form in the principal amount of $5,000 and any integral multiples thereof. DTC will act as the initial securities depository for the 2016B Certificates. The ownership of one fully registered Certificate for each maturity, as set forth on the inside cover page of this Official Statement, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix D - Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2016B CERTIFICATES, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the System nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (defined herein), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the 2016B Certificates as further described in Appendix D to this Official Statement.

BASE PAYMENTS SCHEDULE

The following table sets forth the principal and interest components of the Base Payments payable pursuant to the Indenture. The amount of the Base Payments is equal to the principal and interest payable on the 2016B Certificates. The System is required to make Base Payments to the Trustee at least two Business Days prior to each payment date. Accordingly, the System will pay the portion of Base Payments designated as interest to the Trustee two Business Days before January 1 and July 1 of each year and the portion of the Base Payments designated as principal to the Trustee two Business Days before July 1 of each year shown. In addition to the amounts shown below, the System also be required to pay Additional Payments in each fiscal year. *The schedule shows Base Payments due in each bond year ending on July 1, <u>not</u> in the System's fiscal year*.

Base Payments Schedule*

Year Ended July 1[1]	2016B Certificates Principal Component	Interest Component	Total Base Payments
2017	$1,015,000		
2018	1,030,000		
2019	1,045,000		
2020	1,070,000		
2021	1,095,000		
2022	1,120,000		
2023	1,150,000		
2024	1,185,000		
2025	1,220,000		
2026	1,260,000		
2027	1,300,000		
2028	1,345,000		
2029	1,390,000		
2030	1,445,000		
2031	1,500,000		
2032	1,555,000		
2033	1,625,000		
2034	1,695,000		
2035	1,765,000		
2036	1,845,000		
2037	1,925,000		
2038	2,015,000		
2039	2,105,000		
2040	2,205,000		
2041	2,305,000		
2042	2,410,000		
2043	2,520,000		
2044	2,635,000		
2045	2,755,000		
2046	2,880,000		
Total	$50,410,000		

(1) Based on a bond year ending on July 1st of each year, not on the System's fiscal year. Includes payments of the portion of Base Payments designated as interest on the 2016B Certificates on January 1 of the calendar year shown and payments of Base Payments designated as principal and interest on the 2016B Certificates on July 1 of the same year.

Source: The Financial Advisor and the Underwriters.

* Preliminary, subject to change.

SECURITY FOR THE 2016B CERTIFICATES

General

Each 2016B Certificate represents assignments of the right to receive Revenues under the Indenture. The 2016B Certificates are payable solely from Revenues as, when and if the same are received by the Trustee. The Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The 2016B Certificates shall not constitute or give rise to a general obligation or indebtedness of the State or a general obligation of the System within the meaning of any constitutional, statutory or debt limitation. The 2016B Certificates are payable only from the Revenues and from amounts on deposit in the Certificate Fund. Neither the Indenture nor the 2016B Certificates shall constitute a general obligation of the System, and the System shall have no obligation with respect to the 2016B Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Indenture; and the Indenture shall not create any pecuniary liability on the part of the directors or officers of the System. The System does not pledge its full faith and credit for the payment of the 2016B Certificates. The System has no taxing power.

The System's obligation to pay the Base Payments and Additional Payments required under the Indenture during the Agreement Term (defined in Appendix C), is absolute and unconditional and payment of the Base Payments and Additional Payments during the Agreement Term shall not be abated through accident or unforeseen circumstances. **The System's obligation to make sufficient provision annually in its budget to pay the Base Payments when due is not subject to annual cancellation by the System.**

Sources of System Revenues

General. The Base Payments and Additional Payments are payable from all System funds legally available for the purpose of making such payment and the System covenants in the Indenture to make sufficient provision annually in its budget to pay the principal of and interest on the 2016B Certificates when due.

Set forth below is a discussion of the current major sources of System revenue and a general discussion of which of those sources (or portions thereof) comprise legally available revenues. *However, investors should keep in mind that not all of the sources of revenue discussed below constitute legally available revenues of the System as defined in the Indenture*. **For example, funds appropriated for System operations by the State do not constitute legally available revenues of the System. In addition, as discussed in "Existing Liens on Certain Legally Available Revenues" below and "DEBT STRUCTURE – Outstanding Bonds," portions of the funds received from certain sources of revenue discussed below are pledged to the payment of outstanding obligations of the System. Finally, the precise sources of legally available revenues may change from time to time**. Funds that currently are legally available may become subject to restriction in the future and funds that currently are restricted may become legally available in the future. See "SYSTEM FINANCIAL INFORMATION" for further information about the System's finances.

Tuition and Fees. Tuition and fees constitute the largest source of legally available revenues. The major components of this source are the Student Fees and the Activities and Program Fund Fees. Non-resident students are charged tuition in addition to the student fees. Tuition and fees (net of scholarship allowances) accounted for approximately $372 million of the System's total operating revenues for fiscal year ended June 30, 2014 and $371 million of the System's total operating revenues for fiscal year ended June 30, 2015 (representing 45.2% and 44.7% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively). See "THE SYSTEM – Student Registration Fees and Non-Resident Tuition."

Tuition and fee revenues currently constitute legally available funds for the payment of the Base Payments under the Indenture to the extent they are not pledged to other obligations of the System. See "Existing Liens on Certain Legally Available Revenues" below and "DEBT STRUCTURE – Outstanding Bonds."

The following table sets forth a five-year history of Universities Net Pledged Revenues (which include certain student fees). See "DEBT STRUCTURE – Outstanding Bonds." The table illustrates the amounts of legally available revenues remaining after payment of the currently outstanding Universities Revenue Bonds. The student fees illustrated in the table below constitute only the portion of the student fees collected in the System institutions that are Universities Net Pledged Revenues; for an illustration of historical total student fees and tuition collected, see "SYSTEM FINANCIAL INFORMATION – Financial Statements and Historical Financial Information."

History of Universities Net Pledged Revenues. The following table shows Universities Net Pledged Revenues for each of the five fiscal years ended June 30, 2011 through June 30, 2015. There is no assurance that the Universities Net Pledged Revenues (or the various components thereof) will continue at the levels shown below during the term of the 2016B Certificates.

History of Universities Net Pledged Revenues

	Fiscal Year Ended June 30				
STUDENT FEES	2011	2012	2013	2014	2015
Total Student Fees[1]	$119,237,506	$128,155,709	$138,872,191	$161,379,746	$172,339,543
UNLV FACILITIES REVENUES					
Special Event Facilities[2]	16,606,400	17,133,868	18,460,927	18,037,027	22,070,524
Dining and Housing Facilities	7,208,984	7,024,453	6,503,107	7,636,012	7,404,727
Parking Facilities	3,566,230	3,326,392	3,379,302	3,725,544	3,501,722
Total UNLV Facilities Revenues	27,381,614	27,484,713	28,343,336	29,398,583	32,976,973
UNR FACILITIES REVENUES					
Dining and Housing Facilities	9,972,878	8,705,678	11,354,954	11,682,333	12,236,561
Parking Facilities	3,691,398	3,682,961	3,408,303	3,534,145	3,839,697
Total UNR Facilities Revenues	13,664,276	12,388,639	14,763,257	15,216,478	16,076,258
Universities Net Pledged Revenues	$160,283,396	$168,029,061	$181,978,784	$205,994,807	$221,392,774
Combined Maximum Annual Debt Service-Universities Revenue Bonds[3]	$ 38,548,309	$ 38,548,309	$ 38,548,309	$ 38,548,309	$ 38,548,309
Coverage	4.16x	4.36x	4.72x	5.34x	5.74x
Amount Remaining[4]	$121,735,087	$129,480,752	$143,430,475	$167,446,498	$182,844,465

(1) Includes only the General Fund, Capital Improvement, Student Union Capital Improvement and General Improvement Fees imposed at the Universities. The Universities also impose other fees, including Activities and Program Fund and Student Access fees and other registration fees. See "THE SYSTEM – Tuition." The increases in each fiscal year are primarily a result of increased General Fund and General Improvement fees at each of the Universities, increased enrollment and the recharacterization of an existing registration fee surcharge as Net Pledged Revenues in 2014.

(2) Includes revenues from the Thomas and Mack Center, the Cox Pavilion and the Sam Boyd Stadium.

(3) Combined Maximum Annual Debt Service on the Universities Revenue Bonds is $38,548,309 in the bond year ending July 1, 2016. See "DEBT STRUCTURE – Existing Debt Service Requirements." The 2010A Bonds were issued as Build America bonds ("BABs") and the System expects to receive annual interest subsidy payments with respect to the 2010A Bonds (the "BAB Credit"). Any BAB Credit received by the System must be deposited into the Bond Fund. The amount shown reflects the total debt service due; it is not net of any BAB Credits. See "DEBT STRUCTURE – Debt Service Requirements."

(4) The amounts remaining after payment of the Universities Revenue Bonds constitute legally available revenues of the System. However, such amounts currently are used by the System and the Universities to fund programs and services. If needed to pay debt service on the 2016B Certificates, those programs and services would have to be cut or funded from other sources. See "CERTAIN RISK FACTORS – Sources of Base Payments are Limited."

Source: The System.

Grants and Contracts. The United States government and various other State, local and private sponsoring agencies through various grant and contract programs accounted for 28.8% and 28.4% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively. The use of such funds is usually limited to specific projects and is not included in the budgets or work programs for the System. Such revenues include grants and contracts for research, public service, instruction and training programs, fellowships, scholarships, endowment scholarship programs, and student aid programs, and grants for construction projects.

Grant and Contract revenues generally are limited to specific projects by their terms and therefore **do not** constitute funds that are legally available for the payment of principal and interest on the 2016B Certificates.

Sales and Services - Educational Departments. Various System departments provide services and products to the student body and, in some instances, to the community, for which payment is received. These include revenues from the sale of maps, copying services, diplomas, binding, and the like. Sales and services accounted for 10.6% and 10.9% of the System's total operating revenues for each of the fiscal years ended June 30, 2014 and 2015, respectively.

These revenues generally constitute legally available funds for the payment of principal and interest on the 2016B Certificates.

Auxiliary Enterprises. This source represents income earned by the System on its income producing operations such as event centers, bookstores, housing, food service and certain other operations. The income from the operation of the auxiliary enterprises usually equals or exceeds the cost of the auxiliary enterprises. Auxiliary enterprises accounted for 10.6% and 11.6% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively.

Auxiliary Enterprise revenues currently constitute legally available funds for the payment of principal and interest on the 2016B Certificates to the extent they are not pledged to other obligations of the System.

Other Sources of System Revenues. Other sources of System operating revenues include interest earned on loans receivable and other operating revenues. Other System revenues include gifts and net investment income. These sources do not constitute operating revenues for purposes of GAAP; rather, they are classified as non-operating revenues.

To the extent not required to be used for specific purposes, these revenues generally constitute legally available funds for the payment of principal and interest on the 2016B Certificates. However, gifts restricted to specific purposes and investment income on the endowment do not constitute legally available revenues.

State Appropriations. This source of funds is provided by the Legislature based upon the System's request as described more particularly in "SYSTEM FINANCIAL INFORMATION – Budget." The System depends to a great extent on State appropriations for its continuing operation; for the fiscal years ended June 30, 2014 and 2015, State appropriations (net of required refunds to the State) were approximately $486.0 million and $486.9 million, respectively. The State is not obligated to provide a specific level of appropriation, if any, in any biennium. See the discussion in "SYSTEM FINANCIAL INFORMATION – Budget." State appropriations do not constitute operating revenues of the System under currently applicable Generally Accepted Accounting Principles ("GAAP"); rather, they are classified as non-operating revenues. Nonetheless, State appropriations remain a significant source of System funding. In addition to the State appropriations discussed above, the State appropriated funds restricted for capital purposes of $14.5 million and $41,000 in the fiscal years ended June 30, 2014 and 2015, respectively. *None of the State Appropriations constitute legally available funds for the payment of principal and interest on the 2016B Certificates.*

Existing Liens on Certain Legally Available Revenues

Universities Revenue Bonds. As of March 1, 2016, the System will have outstanding $417,675,000 aggregate principal amount of Universities Revenue Bonds and the System anticipates issuing its Universities Revenue Bonds, Series 2016A in the aggregate principal amount of $58,280,000* in April 2016 to refinance existing Universities Revenue Bonds for interest savings. The Universities Revenue Bonds are special, limited obligations of the System payable solely from the Universities Net Pledged Revenues. The Universities Net Pledged Revenues constitute revenues of the System that are legally available to pay Base Payments; however, debt service on the University Revenue Bonds (and any bonds issued in the future) must be paid before any of the Universities Net Pledged Revenues will be available to pay debt service on the 2016B Certificates.

Bank Loans, Leases and Certificates of Participation. As of March 1, 2016, the System also had outstanding $73,668,387 and proposed $24,840,000 aggregate principal amount of bank loans and leases and outstanding $97,210,000 aggregate principal amount of the Prior Certificates issued on behalf of the Universities and the Community Colleges. The bank loans, leases and the Prior Certificates also are payable from all legally available moneys of the System (*i.e.*, the same sources of revenue as the 2016B Certificates) and the System has covenanted to provide sufficient funds for their payment in its budget. The System may enter into additional bank loans and leases and issue additional certificates of participation at any time. Any additional bank loans, leases and certificates of participation also will be payable from legally available revenues of the System on the same basis as the Base Payments. As a result, the issuance of any additional bank loans, leases and certificates of participation will dilute the revenues available to pay the 2016B Certificates.

In connection with the issuance of Certificates of Participation by the State in 2013 to finance the construction of certain buildings and facilities for Nevada State College, the System entered into an agreement with the State in the aggregate outstanding principal amount of $50,445,000 as of March 1, 2016. The System's annual obligation is approximately $3.4 million through fiscal year 2043 and is contingent on the State's continued appropriation to Nevada State College to pay the 2013 State Certificates. The System uses State appropriations to Nevada State College and certain fees paid by students at Nevada State College to partially defray its annual payment obligations to the State. The fees generated by students at Nevada State College are legally available revenues of the System. The issuance of additional certificates of participation

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* Preliminary, subject to change.

by the State on behalf of the System could dilute the revenues available to pay 2016B Certificates.

Other. The System is a party to certain other agreements and contracts that are payable from legally available revenues of the System on the same basis as the Base Payments. These agreements consist primarily of contracts to pay professors and other staff of the System.

Additional Bonds or Other Obligations

The System may issue additional Universities Revenue Bonds and additional Community College Revenue Bonds upon the satisfaction of the conditions set forth in the resolutions authorizing the issuance of the currently outstanding bonds, to the extent applicable, and in accordance with State law. If issued, the additional Universities Revenue Bonds will have a lien on the Universities Net Pledged Revenues and the additional Community College Revenue Bonds will have a lien on certain other revenues which are currently available to pay Base Payments. Those liens will be superior to the System's obligation to pay the Base Payments from any legally available revenues. As a result, any Universities Revenue Bonds or Community College Revenue Bonds issued in the future will be paid from a portion of the System's otherwise legally available revenues and the revenues available for payment of the Base Payments will be diminished. If authorized by law, the System also may issue additional bonds in the future secured by other sources of revenue. Should that occur, those bonds also would be paid from the designated pledged revenue stream prior to the payment of the Base Payments. See "DEBT STRUCTURE – Authorized but Unissued Obligations" for a description of legislatively authorized bond issuance amounts at the Universities and Community Colleges.

THE SYSTEM

General

The System. The University of Nevada was established as a body corporate and politic by the Nevada State Constitution in 1864, the year of the State's admission to the Union. The institution commenced as a preparatory school and began operation in Elko. In 1886, the campus was moved to Reno, the center of the State's population at the time, and college-level study formally began at the site of the UNR campus in 1887. In 1957, in order to meet the needs of population growth in the southern part of the State, the UNLV campus at Las Vegas was established. The DRI, established in 1959, primarily functions as an educational and scientific research division of the System. In 1969, in order to broaden the scope of higher educational opportunities within the State, the Legislature provided funding to the Board in order to develop and administer the Community Colleges. Beginning in January 1992, the System was known as the University and Community College System of Nevada. Effective in May 2005, the System was renamed to the "Nevada System of Higher Education."

The System is the largest institution of higher education in the State. The System is also the only public provider of post-secondary education. The System currently includes the two Universities, the DRI, the Community Colleges and Nevada State College.

The Universities. UNR and UNLV are fully accredited by the Northwest Commission on Colleges and Universities. In addition, numerous programs at each University are accredited by their national professional accrediting organizations. Both UNR and UNLV are members of many national professional associations.

UNR offers 73 major fields of study leading to baccalaureate and more than 75 major fields of study leading to advanced degrees through academic departments in these colleges and schools: Agriculture, Biotechnology and Natural Resources; Business; Education; Engineering; Health Sciences; Liberal Arts; Science; Reynolds School of Journalism; and Graduate School. In addition, UNR offers degrees through the University of Nevada School of Medicine.

UNLV offers more than 100 major fields of study leading to baccalaureate and nearly 120 major fields of study leading to advanced degrees through academic departments in these colleges and schools: Business; Continuing Education and Outreach; Education; Engineering; Fine Arts; Graduate College; Health Sciences; Honors College; Hotel Administration; Liberal Arts; Sciences; and Urban Affairs. In addition, UNLV offers degrees through the William S. Boyd School of Law and the UNLV School of Dental Medicine.

<u>The Community Colleges</u>. In 1969, in order to broaden the scope of higher educational opportunities within the State, the Legislature provided funding to the Board in order to develop and administer community colleges. The Community Colleges are two-year colleges and an integral part of the American system of education. They subscribe to an open-door policy of admitting any high school graduate or adult who is capable of profiting from continuing instruction. Their objective is to provide a wide range of programs to meet the needs of all people in the community they serve. The Community Colleges strive for a more informal atmosphere than other educational institutions in the State while evidencing to their students and community that as collegiate institutions in their own right, they have an important role to play in higher education. Each of the Community Colleges is fully accredited by the Northwest Association of Schools and Colleges. Each of the Community Colleges offers numerous associate degree programs, certification programs and workshops. In addition, two years of baccalaureate degree work in some disciplines may be completed at the Community Colleges before transfer to Nevada State College or the Universities.

The College of Southern Nevada ("CSN") is located in Las Vegas and has other campuses and locations throughout southern Nevada. CSN also provides web-based distance learning programs. CSN provides more than 150 degree and certificate programs, including one four-year bachelor's degree program in Dental Hygiene.

Great Basin College ("GBC") is located in Elko in eastern Nevada and provides services to communities in the north-central and northeastern portion of the State. GBC offers more than 50 degree and certificate programs, including several bachelor degree programs (in elementary and secondary education, social work, management technology, digital information technology or instrumentation, and integrative and professional studies with emphasis areas in social science and resource management).

Truckee Meadows Community College ("TMCC") is located in Reno and offers approximately 70 degree and certification programs as well as workshops for the residents of the Reno area.

Western Nevada College ("WNC") is located in Carson City and has several other campuses and instructional centers in northwest Nevada. WNC also offers distance education courses, including interactive video and Internet classes. WNC offers approximately 50 academic degrees and certificates.

Nevada State College. Nevada State College was established to meet the needs of students who are interested in bachelor's degrees in much-needed fields such as nursing and education, as well as in other disciplines in the arts and sciences. Nevada State College currently offers more than 25 degrees. Nevada State College course work is fully transferable to the Universities and the Community Colleges.

DRI. DRI is the nonprofit research campus of the System. DRI employs more than 500 full-time and part-time faculty, support staff, and students who are engaged in a research enterprise which generated approximately $44.3 million in total annual revenue in fiscal year 2015. At any given time, DRI is engaged in about 300 scientific research projects from its main research campuses in Las Vegas (Southern Nevada Science Center) and Reno (Dandini Research Park), with subsidiary campuses in Boulder City, Nevada and Steamboat Springs, Colorado. DRI's research calls on the expertise and methods of scientists from multiple scientific disciplines. More than 500 highly-skilled scientists, engineers, technicians and students are collaboratively focused on understanding and answering critical environmental science questions about global climate change, water quality and availability, air quality, sustainability of desert lands, life in extreme environments, and more.

The Board of Regents

The governance of the System is vested by the State Constitution in the "Board of Regents," a body currently comprised of thirteen persons. Regents are elected by popular vote in the State's general elections for staggered terms of six years. Regents are subject to term limitations (12 years) approved by State voters in 1996. Each of the thirteen Regents must be a qualified elector of, and elected by the qualified electors of, each of the districts described in NRS Sections 396.040 through 396.046. Vacancies are filled by appointment of the Governor to a term that continues until the next general election. The Board makes all major System policy decisions, grants degrees and honors, approves administrative and faculty salaries, and appoints a chancellor to carry out specific duties prescribed by the Board. Regents currently receive $80 per day for each authorized meeting and are reimbursed for expenses incurred in performing their duties.

The current members of the Board, the date of expiration of their current terms and their principal occupations are as follows.

Regent	Title	Principal Occupation	Term Expires December 31
Mr. Rick Trachok, Reno	Chair	Attorney	2018
Mr. Michael Wixom, Las Vegas	Vice Chair	Attorney	2016
Dr. Andrea Anderson, Las Vegas	Member	Retired Education Administrator	2018
Mr. Cedric Crear, Las Vegas	Member	Businessman	2018
Mr. Robert Davidson, Incline Village	Member	Retired	2020
Dr. Mark Doubrava, Las Vegas	Member	Ophthalmologist	2016
Dr. Jason Geddes, Reno	Member	Environmental Services Administrator	2016
Mr. Trevor Hayes, Las Vegas	Member	Attorney	2020
Mr. James Dean Leavitt, Las Vegas	Member	Attorney	2016
Mr. Sam Lieberman, Las Vegas	Member	Government and Community Relations	2020
Mr. Kevin Melcher, Elko	Member	Retired School District Administrator	2016
Ms. Allison Stephens, Las Vegas	Member	Health Insurance Program Manager	2018

Administrative Officers

The Board appoints a Chancellor to administer the System and implement the Board's policies. The Board continually reviews all of the Board's policies and procedures, including procedures that delegate additional authority to the Chancellor. This action provides for a more streamlined, timely and cost-effective decision-making process. The President of each institution in the System reports to the Chancellor. The Chancellor serves at the pleasure of the Board and each president serve at the pleasure of the Chancellor.

The administrative officers and employees of the System who are most directly involved in the financial operation and general administration of the System and the operation and management of its facilities are as follows:

Daniel J. Klaich - Chancellor. Mr. Klaich was appointed Chancellor on June 18, 2009. Mr. Klaich joined the System in 2004 and served as Chief Counsel, Vice Chancellor for Legal Affairs and Administration and Executive Vice Chancellor before becoming the Chancellor. Prior to joining the System, he was general counsel to a small technology company, and in private practice prior to that time since 1975. Mr. Klaich was also a member of the System Board of Regents from 1983 to 1997, serving as chairman from 1985 to 1987. Mr. Klaich is a 1972 graduate of the University of Nevada, Reno with a degree in accounting. He received his Juris Doctorate from the University of Washington in 1975, and a Masters in Taxation from New York University in 1978.

Crystal Abba - Vice Chancellor for Academic and Student Affairs. Crystal Abba was appointed as the Vice Chancellor for Academic and Student Affairs in March 2013 after having served as the Interim Vice Chancellor since January 2012. Prior to her appointment, Ms. Abba was the Associate Vice Chancellor for Academic and Student Affairs. She began her career with the System in 2002 and has served in multiple positions including Assistant Vice Chancellor and Director of Public Policy. In her previous System roles she worked closely with Nevada postsecondary leadership to identify and develop higher education policies and practices that meet the challenges of a changing State and the needs of its residents. Prior to joining the System, she worked in the Research Division of the Nevada Legislative Counsel Bureau for several legislative sessions as a policy analyst and committee staffer for both the Senate and Assembly Committees on Commerce and Labor. Ms. Abba received her bachelor's degree (with distinction) from the University of Nevada, Reno, and her MBA from the University of Delaware.

Larry Eardley – Associate Vice Chancellor for Budget and Finance. Larry Eardley was appointed to serve as Interim Vice Chancellor for Budget and Finance in June 2012. Prior to this, Mr. Eardley was the Assistant Vice Chancellor for Budget and Finance. Mr. Eardley began his career with the Nevada System of Higher Education in 1984 as an Internal Auditor. He also served as the System Budget Officer and the Director of Budgets. Prior to joining the System, Mr. Eardley served as an internal auditor in the banking industry after graduating from the University of Nevada, Reno with a degree in Accounting.

Vic Redding - Vice Chancellor of Finance and Administration. Vic Redding was appointed as Interim Vice Chancellor for Finance and Administration in June 2012, overseeing a variety of functions in the areas of fiscal policy, capital budgeting and financial reporting, as well as the day-to-day operations of the System Risk Management office, Banking and Investment office, and System Facilities office. Prior to this, he served as Assistant Vice Chancellor of Finance and Senior Fiscal Operations Officer in the System Administration office. Before joining System Administration in 2005, Mr. Redding was the Assistant CFO for the University of Nevada School of Medicine. Mr. Redding has a bachelor's degree in Business Management and a minor in Accounting from Montana State University, Bozeman and a Master of Business Administration from the University of Nevada, Reno.

Brooke Nielsen - Vice Chancellor for Legal Affairs. Brooke Nielsen was appointed to the position of Vice Chancellor for Legal Affairs in July 2012. Ms. Nielsen first joined the System as an Assistant General Counsel in 1998. Following her retirement from the System in 2005, she continued to assist the Board of Regents and the Chancellor's Office on numerous projects and legal matters. Before joining the System, she served as First Assistant Attorney General in the Nevada Attorney General's Office from 1991 to August 1998. Beginning her service in the Attorney General's Office in 1979, she also served as Chief Deputy of the Criminal Division, Chief Counsel to the Nevada Department of Transportation and Chief Counsel to the Gaming Control Board. Ms. Nielsen received a Bachelor of Arts in German and Spanish from the University of Arizona in 1975 and a Juris Doctor in 1978.

Employees

As of October 2014 (latest available information), the System employed approximately 8,286 full-time employees and 3,920 part-time employees. Classified staff of the Universities are comprised of employees, other than faculty and administrative personnel, and are employed under the provisions of the State's personnel system. Faculty and certain personnel employed in executive or administrative positions are not included under the State personnel system, but are employed pursuant to the System code (the "System Code"). The System Code governs the tenure of faculty, personnel policy for faculty and disciplinary procedures. Many students also are employed part-time by the Universities on a continuing basis, the numbers of which are not included in the amounts set forth above.

Academic Year

The System follows the academic semester system by which the academic year is divided into two instructional semesters of approximately 16 weeks each and summer terms between May and August. The regular academic year traditionally begins in late August and concludes in May, with vacation breaks between the fall and spring semesters and the summer session.

Admissions Policy

Admission to the Universities and the State College is open to residents and non-residents of the State on a competitive basis. Admission to the Universities is given to applicants who satisfy certain criteria relating to standardized tests and high school curriculum. There are different admission requirements for the various schools and colleges of the Universities, including particularly stringent requirements for admission to the professional schools, even at the undergraduate levels. Since 2006, the Universities have moved to being restrictive admission institutions. Effective for fall 2008, the System established a required minimum weighted GPA for admission to the Universities of 3.0 in the high school classes required for admission (this approximates a non-weighted GPA of 3.25); and high school course work must include a minimum number of semesters in various disciplines. That GPA reflects an increase from the weighted 2.75 GPA in effect since fall 2006, which was itself an increase from the 2.5 overall GPA (not weighted) requirement in effect prior to fall 2006. Effective fall 2013, students seeking admission to the Universities are required to take the American College Test ("ACT") or the Scholastic Aptitude Test ("SAT"). The Universities may admit certain first-time freshman who fall outside of those requirements in limited circumstances.

For admission to Nevada State College, a 2.0 minimum grade point average is required and there also is a requirement that high school course work include a minimum number of hours in the various disciplines.

The System may make other revisions to its admissions policies (or other policies) in the future that could have direct or indirect impact on enrollments. If enrollments decline, the revenues received from the student fees constituting revenues available to pay Base Payments may also decline.

Student Registration Fees at Universities and Non-Resident Tuition

<u>Student Registration Fees</u>. Both resident and nonresident students must pay registration fees that are established by the Board annually. The Board's current policy (which may be changed at any time) is to set the increase in tuition and fees to at least the most recent Higher Education Price Index available for each year of the biennium. Additional factors are considered when setting professional school tuition and fees. There is no legal limit on the Board's ability to raise fees and tuition. The Board's current policy (which may be changed at any time) is to give certain in-state and out-of-state students grants-in-aid waivers of certain of the Student Fees for up to 3% of the enrollment for the prior fall semester. The Board historically has not provided grants-in-aid funding for the full 3% allowed by the policy.

The Board imposes numerous fees in addition to those listed below, such as technology and student services fees; the proceeds of those fees are not included in Pledged Revenues. The Universities currently use student fee revenues to fund a variety of programs and services. Should the amount of student fee revenues decline significantly for any reason, programs and services at the Universities may be reduced.

The following table sets forth a five-year history of the regular (resident) student registration fees assessed per credit hour for full-time undergraduate and graduate students at both UNR and UNLV. These fees are approved by the Board; however, the internal allocation of certain fees is approved at the campus level. This table does not include special registration fees imposed by the Board (such as the special registration fees for technology and student services discussed in the previous paragraph) and does not include student registration fees assessed at the Community Colleges, Nevada State College or DRI.

Student Registration Fees Per Credit Hour Per Semester[1]

UNDERGRADUATE FULL-TIME	2011-12	2012-13	2013-14	2014-15	2015-16
University of Nevada-Reno					
General Fund	$106.06	$111.78	$129.21	$129.21	$135.26
Capital Improvement[2]	16.00	16.00	16.00	16.00	16.00
General Improvement	9.63	16.02	16.02	16.02	16.02
Activities and Program Fund	10.64	10.64	10.64	10.64	10.64
Student Access	14.42	16.56	19.63	19.63	21.33
	$156.75	$171.00	$191.50	$191.50	$199.25
University of Nevada, Las Vegas					
General Fund	$106.06	$111.78	$129.21	$129.21	$134.79
Capital Improvement	13.00	13.00	13.00	13.00	13.00
General Improvement	16.27	22.66	22.66	22.66	22.66
Activities and Program Fund[3]	7.00	7.00	7.00	7.00	7.00
Student Access	14.42	16.56	19.63	19.63	21.80
	$156.75	$171.00	$191.50	$191.50	$199.25
GRADUATE FULL-TIME					
University of Nevada-Reno					
General Fund	$166.21	$166.21	$187.04	$187.04	$187.04
Capital Improvement[2]	16.00	16.00	16.00	16.00	16.00
General Improvement	11.37	11.37	11.37	11.37	11.37
Activities and Program Fund	8.80	8.80	8.80	8.80	8.80
Student Access	27.12	27.12	30.79	30.79	30.79
Student Association	10.00	10.00	10.00	10.00	10.00
	$239.50	$239.50	$264.00	$264.00	$264.00
University of Nevada, Las Vegas					
General Fund	$166.21	$166.21	$184.59	$184.59	$184.59
Capital Improvement	13.00	13.00	13.00	13.00	13.00
General Improvement	25.21	25.21	25.21	25.21	25.21
Activities and Program Fund[3]	7.96	7.96	7.96	7.96	7.96
Student Access	27.12	27.12	33.24	33.24	33.24
	$239.50	$239.50	$264.00	$264.00	$264.00

(1) Full time status constitutes seven or more credits.
(2) The Capital Improvement Fee at UNR includes $1 that is allocable to the Student Union Capital Improvement Fee.
(3) The Activities and Program Fund fee at UNLV includes amounts allocable to the Student Union Capital Improvement Fee (Undergraduate - $2.23 and Graduate - $0.96).

Source: The System.

Fee Policies. Registration fees are generally payable upon registration for the fall and spring semesters. Students registered for at least seven credits may enter into contracts for deferred payment of room and board costs, course registration fees (which include Student Fees) and tuition fees. Additional fees, such as special course fees, student health center fee, and accident and health insurance fees are not deferrable. Each institution determines the number of deferred payment installments that can be made throughout the semester; all deferred amounts must be paid no later than the end of the 10th week of instruction. There is a fee for deferment of tuition ($50 at UNR and $45 at UNLV) plus a penalty of 10% charged on the deferred balance not paid by the due date. The Board has adopted a partial rebate program for employees who are activated to service in the U.S. armed forces and has adopted a waiver program for members of the National Guard. The Board or the Legislature may approve additional fee waiver programs at any time.

UNR and UNLV both have policies (which are subject to change) addressing the refund of fees. UNLV permits 100% of fees to be refunded for withdrawals and net credit load reductions completed within the first week of the beginning of instruction. For total withdrawals through the end of the sixth calendar week of instruction, a 50% refund of fees will be granted. No refund is generally granted thereafter. UNR permits 100% of fees to be refunded for withdrawals or net credit load reductions made on or before the last day of registration. For total withdrawals after the last day of registration and prior to the end of the sixth calendar week of instruction, a 50% refund of fees will be granted. No refund is generally granted thereafter.

Non-Resident Tuition. All System students pay registration fees. The System is prohibited by State statute from charging tuition to students who are “bona fide residents” of the State (generally, residents for 12 months). Nonresident students, however, generally are charged tuition in addition to the registration fees in accordance with current Board policy. Tuition varies between the Universities, Nevada State College and the Community Colleges and also varies by full- and part-time status.

For the 2015-16 academic year, the tuition charged at the Universities is as follows: undergraduate full-time tuition (seven credit hours or more per semester) is $13,910 per year, an amount which has remained flat since the 2012-13 academic year. For 2015-16 part-time undergraduates are charged $219.25 per credit for one to six credits and part-time graduate students are charged $290.50 per credit for one to six credits per semester. Part-time tuition (for one to six credits) is scheduled to remain flat for graduate students and increase $8.75 per credit for undergraduate students in 2016-17, however future tuition increases remain subject to change by the Board. Additional tuition increases are expected in the future.

For the 2015-16 academic year, the tuition charged at Nevada State College (and for upper-level Community College classes) is $10,686 per year; part-time students are charged tuition on a per-credit hour basis. Annual tuition currently is expected to increase to $11,113 for the 2016-17 academic year.

For the 2015-16 academic year, the tuition charged at the Community Colleges is $6,645 per year; part-time students are charged tuition on a per-credit hour basis. Annual tuition currently is expected to remain flat at $6,645 for the 2016-17 academic year.

The System currently participates in the Western Undergraduate Exchange ("WUE") tuition reduction program for students from selected western states.

Competition for Students

The System competes with other colleges and universities for qualified applicants, and revenues available to pay Base Payments (as well as other University revenues) are directly dependent on the number of students enrolled in the System. The System believes that decisions of students to apply and enroll at the System are based primarily on the perceived quality of the academic programs offered, the cost and reputation of the institution and the availability of financial aid. See "Student Financial Aid" below. The System believes that its most significant competitors for mutually accepted candidates are those state universities located in California, Arizona and New Mexico.

Millennium Scholarship Program

In 1999, the State established the Millennium Scholarship in order to increase the number of Nevada students who perform well in high school and then enroll in and graduate from one of the eligible institutions.

Generally, to be eligible for a Millennium Scholarship, students must have graduated with a diploma from a public or private high school in Nevada after May 1, 2000, with a grade point average specified by statute, passed all areas of the Nevada High School Proficiency Examination, been a resident of the State for at least two years of high school and, effective with the graduating class of 2009, completed the required core curriculum while in high school. The Millennium Scholarships are funded from a trust fund established with proceeds received by the State from a master settlement agreement with selected manufacturers of tobacco products and other funds as designated by the Legislature. In the past, the Legislature has appropriated additional funds from the State general fund to the Millennium Scholarship Fund; however, there is no requirement that such appropriations be made.

In order to extend the life of the program, the Legislature periodically has revised eligibility criteria. Most notably, requirements for high school grade point averages have been increased; eligibility criteria for maintaining the scholarship also were revised upward. The amount of the scholarship award each semester is determined on the established dollars-per-credit hour established by State law. The scholarships may be used for registration fees, class or laboratory fees and expenses, required textbooks and course materials and other costs related to attending a university, state college or community college. Currently, the scholarships provide between $40 and $80 per credit hour depending on the institution. According to the Nevada Office of the Treasurer, 10,861 students from the graduating class of 2014 were eligible for the scholarship. Of that number, 54.2% had utilized their award as of Fall 2014. Students have six years after high school graduation during which they may utilize their scholarships, so this percentage is expected to increase each semester until Class of 2012 awards expire in May 2018.

There is no assurance that the Millennium Scholarships will continue to be funded from tobacco settlement funds or any other State funding sources. For example, starting in 2006, the Legislature approved transfer of $7.6 million from the Unclaimed Property Fund to the Millennium Scholarship Trust Fund each fiscal year. However, during the special legislative session in summer 2008, the Legislature chose to transfer the $7.6 million directly from the Unclaimed Property Fund to the State's general fund; the Legislature later suspended this funding source for the entire 2009-11 biennium. At the December 2008 special session, the Legislature approved the transfer of $5 million from the Millennium Scholarship Trust Fund to the State's general fund. The Legislature provided approximately $2.2 million of funding for the Millennium Scholarship program for fiscal year 2011. The 2011 Legislature took action to restore the $7.6 million per year transfer from the Unclaimed Property Fund and provided a one-time General Fund appropriation of $10 million to support the program. In 2013, the Legislature appropriated a total of $7 million in the Regular Session ($5 million) and 27th Special Session ($2 million). In June 2013, the State Treasurer announced an additional $8 million in funding was added to the Trust Fund from a settlement agreement reached with major tobacco manufacturers. According to the State Treasurer, these actions will fund the Millennium Scholarship program through 2018. Should the State cease to fund Millennium Scholarships in the future, students may choose to enroll at other universities and enrollment at the institutions within the System could decline.

Student Body

Applications and Admissions. The following tables show the number of applications for acceptance and new students registered at UNR and UNLV, respectively, during the fall semester of each of the years 2011-2015.

Applications and Admissions - UNR

Fall Term	Applications	Applicants Accepted	Enrolled
2011	12,625	10,093	5,473
2012	12,880	10,067	5,411
2013	12,960	10,460	5,590
2014	14,255	11,337	5,852
2015	15,548	12,599	6,599

Source: Compiled by UNR.

Applications and Admissions - UNLV

Fall Term	Applications	Applicants Accepted	Enrolled
2011	14,085	10,335	6,691
2012	14,704	10,758	7,177
2013	15,347	11,691	7,535
2014	15,044	11,756	7,565
2015	15,309	12,024	7,401

Source: Compiled by UNLV.

Enrollment and Residency Status. The following tables show the total number and residency status of students (undergraduate and graduate students) enrolled at UNR and UNLV, respectively, during the fall semesters of each of the years shown.

Enrollment and Residency Status - UNR

Fall Term	Total Students	Residents	Percentage of Total	Non-Residents	Percentage of Total
2011	17,599	13,657	77.6%	3,942	22.4%
2012	18,363	14,592	79.5	3,769	20.5
2013	18,853	13,970	74.1	4,883	25.9
2014	19,934	14,272	71.6	5,662	28.4
2015	20,898	14,820	70.9	6,078	29.1

Source: 2011-15 compiled by UNR; System Data Warehouse for 2015.

Enrollment and Residency Status - UNLV

Fall Term	Total Students	Residents	Percentage of Total	Non-Residents	Percentage of Total
2011	27,306	22,271	81.6%	5,035	18.4%
2012	27,109	22,322	82.3	4,787	17.7
2013	27,704	22,867	82.5	4,837	17.5
2014	28,515	23,539	82.5	4,976	17.5
2015	28,600	24,000	83.9	4,600	16.1

Source: 2011-15 compiled by UNLV; System Data Warehouse for 2015.

The following table shows the total headcount enrollment at the Community Colleges and Nevada State College during the fall semesters of 2011-2015.

Enrollment - Nevada State College and the Community Colleges

Fall Term	CSN	TMCC	WNC	GBC	Nevada State College
2011	38,787	11,616	4,278	3,524	3,192
2012	37,696	12,138	4,166	3,067	3,405
2013	36,629	11,686	3,976	3,190	3,395
2014	36,469	11,547	4,016	3,081	3,549
2015	34,457	11,584	3,894	3,246	3,531

Source: System's Official Enrollment Report.

FTE Enrollments. The following tables show the total annualized full-time equivalent ("FTE") undergraduate and graduate students enrolled at UNR and UNLV, respectively, during fiscal years 2011 through 2015. The FTE formula recognizes the different costs associated with various levels of education. Accordingly, FTE enrollments are calculated based upon 15 credits at the undergraduate level, 12 credits at the masters' degree level and 9 credits at the doctorate degree level. FTE enrollments currently are calculated as of the last date of each semester.

FTE Enrollment - UNR

Fiscal Year	Undergraduate Annualized FTE	Graduate Annualized FTE	Total Annualized FTE
2010-11	11,472	1,817	13,289
2011-12	11,962	1,620	13,583
2012-13	12,134	1,587	13,721
2013-14	12,906	1,562	14,468
2014-15	14,177	1,585	15,762

Source: Official System Enrollment Reports.

FTE Enrollment - UNLV

Fiscal Year	Undergraduate Annualized FTE	Graduate Annualized FTE	Total Annualized FTE
2010-11	16,785	2,934	19,719
2011-12	16,085	2,494	18,580
2012-13	16,080	2,417	18,497
2013-14	16,802	2,467	19,269
2014-15	17,731	2,569	20,301

Source: Official System Enrollment Reports.

The following table shows the total annualized FTE of students enrolled at the State College and each of the Community Colleges, respectively, during fiscal years 2011 through 2015.

FTE Enrollment - Nevada State College and the Community Colleges

Fiscal Year	CSN	TMCC	WNC	GBC	Nevada State College
2010-11	22,153	7,125	2,930	1,939	2,014
2011-12	20,363	6,351	2,358	1,742	2,062
2012-13	19,128	6,338	2,239	1,659	2,102
2013-14	19,546	6,166	2,157	1,717	2,174
2014-15	18,883	6,098	2,230	1,728	2,264

Source: System's Official Enrollment Report.

Student Financial Aid – The Universities

Financial aid at the System is awarded by individual System institutions generally in the form of a "package" consisting of grants, scholarships, loans and campus employment. State financial aid to students at both Universities for fiscal year 2014-15 was $67,623,823 and for fiscal year 2013-14 was $64,353,874. Federal financial aid to the Universities for fiscal year 2014-15 was $271,082,262 and for fiscal year 2013-14 was $261,189,781. Financial aid to students at the Universities has increased every year in recent years.

Student Financial Aid - 2014-15

	UNLV	UNR	Total
TOTAL AWARDS OF FINANCIAL AID[1]	54,275	44,785	99,060
NUMBER OF STUDENTS IN EACH CATEGORY OF FINANCIAL AID[1]:			
Private Scholarships and Other	1,020	1,381	2,401
Institutional Aid	8,425	7,238	15,663
State of Nevada Aid[2]	7,878	8,751	16,629
Federal Aid	16,056	9,692	25,748
AMOUNT OF FEDERAL AID	$171,400,214	$99,682,048	$271,082,262
AMOUNT OF STATE AID[3]	$ 36,188,272	$31,435,551	$ 67,623,823

(1) Awards are duplicated. Students may receive funds from more than one program within each category.
(2) Consists primarily of Millennium Scholarships, Student Access Aid, NSHE grants-in-aid, campus employment and graduate assistantships.
(3) The System is unable to determine from payroll records which departmental funds were truly State funds and which were departmental money from non-state sources. Therefore, all these funds were classified under the State category. The true State aid total is inflated because of this.

Source: Compiled by System Administration.

DEBT STRUCTURE

Outstanding Bonds

Universities Revenue Bonds. As of March 1, 2016, the System will have outstanding $417,675,000 aggregate principal amount of Universities Revenue Bonds payable from the Universities Net Pledged Revenues. Information about each bond issue comprising the Universities Revenue Bonds is set forth below.

Currently Outstanding Bonds Payable from Universities Net Pledged Revenues

	Original Amount	Amount Outstanding	Final Maturity
2008A Bonds	$60,135,000	$52,150,000	07/01/38
2009A Bonds	18,140,000	14,625,000	07/01/38
2010A Bonds	29,455,000	28,860,000	07/01/40
2010B Bonds	3,275,000	1,385,000	07/01/17
2011A Bonds	50,470,000	32,880,000	07/01/24
2012A Bonds	27,375,000	25,965,000	07/01/32
2012B Bonds	5,010,000	3,340,000	07/01/22
2013A Bonds	40,035,000	35,065,000	07/01/33
2013B Bonds	105,300,000	105,300,000	07/01/35
2014A Bonds	49,995,000	49,170,000	07/01/43
2015A Bonds	61,455,000	61,455,000	07/01/35
2015B Bonds	7,480,000	7,480,000	07/01/26
Total	$458,125,000	$417,675,000	

Source: The System.

Other Obligations of the System

The System also has outstanding certain existing or planned obligations which are not secured by Universities Net Pledged Revenues. As of March 1, 2016, the System will have outstanding $73,668,387 and proposed $27,840,000 aggregate principal amount of bank loans and leases and outstanding $97,210,000 aggregate principal amount of the Prior Certificates issued on behalf of the Universities and the Community Colleges. Information about these obligations is set forth below.

Currently Outstanding and Proposed Obligations Payable from Legally Available Revenues(1)

	Original Amount	Amount Outstanding	Final Maturity
Note, Series 2001B	$ 2,530,000	$909,886	11/01/21
Certs of Participation, Series 2006A	11,015,000	690,000	07/01/17
Note, Series 2008A	2,600,000	622,300	01/01/18
Note, Series 2009A	9,812,000	7,511,000	07/01/16
Note, Series 2012A	6,250,000	2,394,600	06/01/17
Note, Series 2013A	10,000,000	7,673,000	06/01/23
Note, Series 2014A	12,000,000	2,700,000	07/01/19
Various Notes	8,894,847	1,636,602	Various
Certs of Participation, Series 2014A	34,220,000	33,425,000	07/01/43
Note, Series 2014B(2)	16,000,000	100,000	01/01/20
Note, Series 2015A(3)	19,900,000	61,000	01/03/23
Note, Series 2015B(4)	50,060,000	50,060,000	07/01/16
Certificates of Participation, Series 2016A	63,095,000	63,095,000	07/01/46
TOTAL		$170,878,388	

(1) Does not reflect the impact of the Refunding Project. See “SOURCES AND USES OF FUNDS – The Refunding Project.”
(2) Up to $16,000,000 is authorized to be drawn on the 2014B Note. As of March 1, 2016, $100,000 will have been drawn. UNR expects to only draw $12,400,000 of the authorized amount.
(3) Up to $19,900,000 is authorized to be drawn on the 2015A Note. As of March 1, 2016, $61,000 will have been drawn. The System expects to only draw $15,601,000 of the authorized amount.
(4) To be refinanced by the issuance of the 2016B Certificates.

The System also will have outstanding, as of March 1, 2016, certain letters of credit (which are not secured by Universities Net Pledged Revenues), including (1) a $2,100,000 letter of credit associated with DRI lease revenue bonds; and (2) $1,998,000 aggregate amount of two letters of credit acquired to fund the System’s obligations under the State Workers Compensation Insurance Program and its self-insured workers’ compensation liability. See Notes 9-13 in the audited financial statements attached hereto as Appendix A for a description of the System’s long-term debt, capital and operating lease obligations and other non-current liabilities as of June 30, 2015.

Existing Debt Service Requirements

The following schedule shows: (1) the total debt service payable on the outstanding Universities Revenue Bonds; (2) the debt service payable on the System's currently outstanding certificates of participation and certain bank loans and leases; and (3) the combined debt service on the obligations listed in clauses (1) and (2) above. *The schedule shows debt service payable in each bond year ending July 1, not in the System's fiscal year*.

Existing Debt Service Requirements[1]

Bond Year Ending July 1[2]	Total Debt Service on Universities Revenue Bonds[3][5]	Total Debt Service – Bank Loans and Leases[4]	Combined Total Debt Service
2016	$38,548,309	$6,901,652	$45,449,961
2017	35,592,851	16,957,924	54,848,526
2018	36,281,644	9,714,257	48,293,651
2019	36,414,461	9,361,474	48,074,685
2020	35,889,711	8,940,824	47,131,035
2021	34,722,455	7,296,306	43,011,511
2022	34,462,975	7,069,237	42,527,962
2023	34,565,692	6,838,581	42,396,273
2024	34,065,038	5,723,219	40,780,006
2025	33,329,782	5,726,719	40,046,251
2026	29,010,372	5,722,969	35,724,341
2027	27,765,027	5,731,969	34,492,246
2028	27,733,907	5,724,719	34,450,876
2029	27,702,407	5,721,519	34,416,176
2030	27,747,303	4,892,619	32,639,921
2031	26,702,861	4,881,969	31,584,830
2032	26,675,061	4,885,269	31,560,330
2033	25,412,714	4,884,869	30,297,583
2034	20,934,336	4,883,581	25,817,918
2035	20,886,471	4,533,375	25,419,846
2036	9,967,893	4,535,763	14,503,656
2037	9,921,363	4,534,200	14,455,564
2038	9,872,768	4,533,688	14,406,456
2039	5,100,963	4,531,500	9,632,464
2040	5,050,166	4,532,300	9,582,466
2041	2,849,225	4,533,275	7,382,500
2042	2,844,850	4,534,225	7,379,075
2043	2,847,625	4,529,975	7,377,600
2044	0	4,530,525	4,530,525
2045	0	2,790,500	2,790,500
2046	0	2,789,325	2,789,325
Total	$662,899,236	$182,768,327	$863,794,059

(1) Totals may not add due to rounding.

(2) Based on the Bond Year ending July 1st of each year, not on the System's fiscal year. Includes payments of interest on January 1 of the calendar year shown and payments of principal and interest on July1 of that year.

(3) Combined debt service on the Universities Revenue Bonds. As further described above in "Outstanding Bonds - Universities Revenue Bonds," all of the debt service on the Universities Revenue Bonds are payable from the Universities Net Pledged Revenues before any of those revenues are available to pay debt service on the 2016B Certificates.

(4) Reflects the principal and interest payments due on the System's currently outstanding certificates of participation, bank loans and leases. The amounts shown in this column are payable from all legally available System revenues and are payable in the same priority as the 2016B Certificates. Does not include payments due on a 2014B Promissory Note (the "2014B Note") issued by the System in the amount of $16 million, or a 2015A Promissory Note (the "2015A Note") issued by the System in the amount of $19.9 million to the extent amounts have not been drawn down yet on such 2014B Note or the 2015A Note. As of March 1, 2015, $100,000, and $61,000 will have been drawn down on the 2014B Note or the 2015A Note, respectively. Does not include payments due on a 2015B Promissory Bond Anticipation Note issued by the System in the amount of $50.06 million, which will be refinanced by the issuance of the 2016B Certificates. See "Outstanding Loans and Leases" above.

(5) The amounts shown in this table reflect the total interest due on the 2010A Bonds; the amounts are not net of the BAB Credit. If the BAB Credit is received, the amount of interest on the 2010A Bonds to be paid from Universities Net Pledged Revenues will be lower.

Source: The System and the Financial Advisor.

Authorized But Unissued Obligations

General. Since 1999, the Legislature has authorized the issuance of obligations that are fully or partially payable from the Universities Net Pledged Revenues for UNR and UNLV. The legislative authorization may be used for the construction, rehabilitation and improvement of additional student housing and dining facilities, parking facilities and other campus facilities required or desired by the university master plans for UNR and UNLV. The total authorized for UNR since 1999 is $348,360,000 and the total authorized since 1999 for UNLV is $422,155,000. Under current law, the authorization to issue bonds expires on January 1, 2029.

The current remaining legislative authorization for UNR is $2,790,000. UNLV's current remaining legislative authorization is $156,020,000. UNLV has various projects identified as part of its long-term facility master plan associated with available authorization; however, UNLV has no specific plans to issue additional bonds at this time.

Since 2005, the Legislature has authorized the issuance of obligations that are fully or partially payable from certain revenues generated at the Community Colleges and Nevada State College. If issued, such bonds would have a prior lien on revenues generated at the Community Colleges or Nevada State College that are currently included as Legally Available Revenues under the Indenture.

The current remaining legislative authorization for CSN is $45,000,000. The current remaining legislative authorization for Nevada State College is $20,000,000. The current remaining legislative authorization for WNC is $20,000,000. The legislative authorization for CSN, Nevada State College, and WNC expires on June 13, 2022. None of CSN, Nevada State College, or WNC have specific plans to issue bonds under such authorization at this time.

The Legislature may authorize the issuance of additional obligations payable from all or a part of the Universities Net Pledged Revenues at any time in the future. The Legislature also may authorize the issuance of additional obligations payable from revenues other than the Universities Net Pledged Revenues. The Board also may be authorized from time to time to issue general obligation bonds of the State for capital construction purposes. However, the Board does not currently have authorization to do so.

In addition, the Universities, Nevada State College, the Community Colleges and DRI may obtain bank loans at any time for various capital projects (subject to Board approval and compliance with State statutes). Certain outstanding loans and other obligations are discussed above.

Contemplated Projects for the System

The System reserves the privilege of issuing bonds whenever legal and financial requirements have been met. Issuance of bonds, including refunding bonds, is contingent upon approval by the Board.

SYSTEM FINANCIAL INFORMATION

Financial Management

Pursuant to State statute, the Board is the sole trustee to receive and disburse all funds of the System and the Chancellor of the System is empowered by the System's bylaws to act as the Chief Executive Officer and Treasurer of the System. The Chancellor is responsible for the financial management and coordination of the administration for the System. The Chancellor's office performs the treasury functions for the System, including administration of the cash management system.

All State appropriated monies are drawn upon from the State treasury by the Chancellor's office for disbursement to the respective institutions of the System, including UNR and UNLV. The expenditure of State appropriated monies once disbursed to the individual institutions is controlled by those institutions. The Board does not have the discretionary power, once the Legislature has approved the System's budget, to alter the budgeted disbursements to each institution within the System.

Budget

General. The System operates under a biennial budget system prescribed by the State. See "STATE FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – Certain Financial Information - State General Fund - Budget Procedure." The Fiscal Year begins on July 1 of each year and the biennium begins on July 1 of each odd numbered year. After the biennial budget is set by the Legislature, the System develops an operating budget for each year of the biennium. The current biennium began July 1, 2015.

The System and each of its institutions (including each of the Universities and Community Colleges, Nevada State College and DRI) are required to maintain balanced budgets. The System's biennial budget request is developed over a period of several years. More than one year prior to the budget request being submitted to the Legislature, a series of hearings with each campus is held, at which programs and goals are discussed and later translated into numerical requests in specified dollar amounts. Following the hearings, the Presidents of the Universities, Nevada State College, DRI and the Community Colleges and their respective staffs review the composite requests and formulate recommendations for each college or division. These recommendations are reviewed first by the appropriate dean or director, then by the Chancellor, and then by the Board. The budget request is then sent to the Governor's office for further review and modification. Comments and modifications are made at each step of this review procedure.

In the event of emergencies when additional funds become necessary for the operation of the System during any biennium and the Legislature is not in session, the Board may submit a request to the State Board of Examiners (consisting of the Governor of the State, the Secretary of State and the State Attorney General) for an allocation by the Interim Finance Committee. The Interim Finance Committee is composed of the members of the State Assembly Standing Committee on Ways and Means and the State Senate Standing Committee on Finance during the current or immediately preceding session of the Legislature. The State Interim

Finance Committee (the "IFC") may allocate monies from a special State contingency fund for payment to the System of funds not otherwise appropriated.

Pursuant to the authorized expenditure bill for the 2015-17 biennium ("AB490"), the System may expend any additional registration fees collected from students for the purpose of meeting salaries and related benefits for incremental instructional faculty necessary as a result of registering additional students beyond budgeted enrollments. The System also may expend, with the approval of the IFC, any additional nonresident tuition fees and any additional registration fees not utilized for incremental instructional faculty costs in addition to the authorized amounts for the respective years of the biennium. The System may also expend, with the approval of the IFC, any additional registration and nonresident fees resulting from the imposition of fee increases.

System Budget Cuts. The System had experienced budget cuts over several past fiscal years due to State budget issues. However, the appropriated State General Fund for fiscal year 2013 was flat when compared to fiscal year 2012. The appropriated General Fund in fiscal year 2014 was increased by $14.8 million net total in both direct unrestricted appropriations ($8.3 million) as well as a dedicated employee salary restoration fund ($6.5 million). The appropriated General Fund for fiscal year 2015 was approximately $900,000 more than fiscal year 2014. The 2015 Legislature also revoked a furlough policy for professional and classified employees.

2015-17 Biennial Budgets. The 2015 Legislature appropriated a net increase in general fund dollars to the System for fiscal year 2015-16 and fiscal year 2016-17. These included both general operating dollars – primarily tied to inflationary costs. A table showing the 2015-17 biennial general fund appropriations, as compared to fiscal year 2015 and 2014, is set forth below.

(in millions)	2013-14	2014-15	2015-16	2016-17
General Fund	$480.7	$492.7	$539.1	$557.0
COLA Increase	--	--	4.8	14.4
Salary Restoration	6.5	6.6	--	--
Total	$487.2	$499.3	$543.9	$571.4

Higher Education Funding Formula. The 2011 Legislature passed Senate Bill 374 which authorized a legislative interim study to review the funding formula utilized for higher education. The last time the Legislature authorized a study to update the higher education funding formula was in 1999. The Interim Study Committee was chaired by the State Senate Majority Leader and had 11 other voting members including 5 legislators, 3 regents, and 3 appointed community members as well as 4 non-voting representatives from the Executive Budget Office and the System. The Committee was charged with comparing the existing method for funding higher education in Nevada with the methods used in other states and determining whether those methods would be appropriate and useful in Nevada.

The Committee made final recommendations in August 2012. These recommendations were substantially reflected in the higher education section of the Executive Budget which was ultimately approved by the 2013 Legislature. The primary changes included a shift from inputs (enrollments) as the main driver to weighted outputs (completed credit hours) for the main funding calculation. The Legislature also approved a performance component which began in fiscal year 2015 with an initial funding amount of 5% of the base general fund appropriation, increasing by 5% each successive year, until a 20% (of base funding) pool is created in fiscal year 2018.

For fiscal year 2016, the Interim Study Committee recommended a 10% carve out from each institution's general fund appropriation that would be earned back based upon performance criteria recommended by the Board of Regents. The Committee recommended that the rate increase by 5% each year through 2018. The carve-out for the initial year (FY 2015) was 5% and is increased by 5% each succeeding year until it reaches 20% in fiscal year 2018.

Historical Budget Summary of Appropriated Funds. A budget summary of appropriated funds for the System for the years stated is set forth below. See "CERTAIN RISK FACTORS – System Appropriations" and the discussion in "Budget Issues" above.

Budget Summary of Appropriated Funds[1]

	2010-11		2011-12		2012-13		2013-14		2014-15	
	State[2]	Other Revenue Sources[3]	State[2][5]	Other Revenue Sources[3][5]	State[2][5]	Other Revenue Sources[3][5]	State[2][6]	Other Revenue Sources[3][6]	State[2][4]	Other Revenue Sources[3]
General	$494,644,866	$233,173,931	$416,870,688	$245,555,038	$415,486,988	$255,168,786	$424,419,771	$252,985,646	$435,469,101	$254,199,845
Statewide Programs	6,463,238	--	3,462,122	--	5,782,860	--	9,960,330	--	10,323,177	--
Intercollegiate Athletics	12,793,670	--	10,155,520	--	11,946,203	--	12,003,355	--	12,052,260	--
Agric. Experiment Station	5,565,671	1,389,398	4,613,011	1,529,685	4,866,936	1,529,685	4,810,874	1,650,537	4,919,136	1,650,537
Coop. Extension Services	7,678,549	1,847,346	6,729,407	1,906,019	2,859,930	1,908,089	3,447,035	1,930,606	3,535,951	1,936,086
State Health Lab	1,702,580	--	1,518,317	--	1,518,320	--	1,502,190	--	1,519,568	--
School of Medicine	30,018,348	3,175,716	29,906,783	3,623,260	29,906,780	4,443,159	31,040,487	5,123,764	31,515,247	5,926,080
TOTAL SYSTEM	$558,866,922	$239,586,391	$473,255,848	$252,614,002	$472,368,017	$263,049,719	$487,184,042	$261,690,553	$499,334,440	$263,712,548

(1) *In 2010-11, includes the 6.9% reduction in general fund appropriations pursuant to actions of the 26th Special Session of the Legislature (held February 23, 2010 through March 1, 2010). See "CERTAIN RISK FACTORS – System Appropriations."* The budgetary information presents an incomplete picture of the System's operations as the biennial budgets reflect only a portion of the total funds available and do not include such revenues as grants and contracts, endowments or gifts.

(2) Consists of monies appropriated by the State for the categories as indicated.

(3) Other revenue sources included in this column are Registration Fees (*i.e.,* Student Fees, Non-Resident Tuition, Miscellaneous Student Fees), Federal Funds, Indirect Cost Recovery, Operating Capital Investment, Discretionary Funds, Training Grants, County Funds and Miscellaneous.

(4) Includes Federal stabilization funds (ARRA funds) authorized by the 2009 Legislature.

(5) The Statewide, Intercollegiate Athletics and Business Center budgets were consolidated with the respective university budgets.

(6) Includes salary restoration funds appropriated on behalf of the System to the Board of Examiners (AB 511).

Source: The System.

Sources of Funds

General. As illustrated in the table in "Financial Statements and Historical Financial Information" below, the System receives revenues from a variety of sources. The major sources of System operating revenues are discussed in more detail below. In addition to operating revenues, the System receives revenues (classified as non-operating revenues for accounting purposes) from other sources, primarily State appropriations.

Operating Revenues. The major sources of System operating revenues are discussed below.

Tuition and Fees. The major components of this source are the Student Fees and the Activities and Program Fund Fees. Non-resident students are charged tuition in addition to the student fees. Tuition and fees (net of scholarship allowances) accounted for 45.2% and 44.7% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively.

Grants and Contracts. The United States government and various other State, local and private sponsoring agencies through various grant and contract programs accounted for 28.8% and 28.4% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively. The use of such funds is usually limited to specific projects and is not included in the budgets or work programs for the System. Such revenues include grants and contracts for research, public service, instruction and training programs, fellowships, scholarships, endowment scholarship programs, and student aid programs, and grants for construction projects.

Sales and Services - Educational Departments. Various System departments provide services and products to the student body and, in some instances, to the community, for which payment is received. These include revenues from the sale of maps, copying services, diplomas, binding, and the like. Sales and services accounted for 10.6% and 10.9% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively.

Auxiliary Enterprises. This source represents income earned by the System on its income producing operations such as event centers, bookstores, housing, food service and certain other operations. The income from the operation of the auxiliary enterprises usually equals or exceeds the cost of the auxiliary enterprises. Auxiliary enterprises accounted for 10.6% and 11.6% of the System's total operating revenues for the fiscal years ended June 30, 2014 and 2015, respectively.

Other Sources of System Funds (Non-operating Revenues). The State also receives non-operating revenues from various sources, including investment income, interest earned on loans receivable, gifts and other sources of income. The largest source of non-operating revenues is State appropriations, which are discussed below.

State Appropriations. This non-operating revenue source is provided by the Legislature based upon the System's request as described more particularly elsewhere in this Official Statement. State appropriations do not constitute operating revenues of the System under currently applicable Generally Accepted Accounting Principles ("GAAP"); rather, they are classified as non-operating revenues. Nonetheless, State appropriations remain a significant source of System funding.

For the fiscal years ended June 30, 2015 and 2014, State appropriations were $486.9 million and $486.0 million, respectively. State law does not provide for a specific level of appropriation in any biennium. See the discussions in "Budget" above, "CERTAIN RISK FACTORS – System Appropriations," and "STATE FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – Certain Financial Information - State General Fund - Recent and Current State Budgets."

Financial Statements and Historical Financial Information

The System prepares annual financial statements setting forth the financial condition of the System as of June 30 of each fiscal year shown. The System prepares its financial statements in accordance with GAAP as prescribed by the Governmental Accounting Standards Board ("GASB"). See Note 2 to the audited financial statements attached hereto as Appendix A for a description of the System's significant accounting policies, including a description of the basis of presentation and the implementation of new accounting principles.

The information in the following table has been derived from the information contained in System's audited financial statements for the years ended June 30, 2011 through 2015. The information in the following table represents the financial results of the Universities, Nevada State College, the Community Colleges and the DRI, excluding the legally separate campus foundations and medical school practice plans (the "System-Related Organizations").

The audited financial statements for the year ended June 30, 2015, attached hereto as Appendix A, represents the most recent audited financial information available for the System. The financial statements of the System for prior years are available for inspection at the System offices (see "INTRODUCTION – Additional Information"). The information in these tables should be read together with the System's audited financial statements and accompanying notes for each respective fiscal year.

The following information has been provided for informational purposes only; inclusion of this information does not imply that all of the revenue sources listed are available to pay debt service on the 2016B Certificates. Investors should be aware that none of the revenues listed under "State Appropriations" are available to pay principal and interest on the 2016B Certificates. Further, not all of the funds shown represent legally available funds of the System available to pay principal and interest on the 2016B Certificates.

Statements of Revenues, Expenses and Changes in Net Assets (in thousands)[1]

	Fiscal Year Ended June 30,				
Operating Revenues	2011	2012	2013	2014	2015
Tuition and fees (net)[2]	$328,805	$335,187	$350,170	$372,396	$370,886
Federal grants and contracts	186,353	164,127	167,889	160,530	156,599
State grants and contracts	35,345	28,911	30,875	32,162	35,275
Local grants and contracts	28,122	25,167	27,494	26,181	26,094
Other grants and contracts	17,108	13,573	15,735	18,159	17,669
Campus support	16	53	11	10	10
Sales & services of educational departments[3]	59,717	72,792	88,279	87,556	90,791
Sales and services of auxiliary enterprises[4]	77,472	76,896	81,194	87,552	96,102
Interest earned on loans receivable	196	217	213	235	258
Other operating revenues	28,028	29,416	36,287	38,256	36,693
Total operating revenues	761,162	746,339	798,147	823,037	830,377
Operating Expenses					
Employee compensation and benefits	907,282	873,941	889,062	934,477	975,051
Utilities	34,203	31,954	32,368	32,563	34,081
Supplies and services	287,746	304,425	326,304	332,798	342,721
Scholarships and fellowships	101,044	88,770	82,839	90,333	90,015
Depreciation	92,557	95,689	95,400	95,614	94,910
Other operating expenses	52	30	98	282	113
Total operating expenses	1,422,884	1,394,809	1,426,071	1,486,067	1,536,891
Operating (loss)	(661,722)	(648,470)	(627,924)	(663,030)	(706,514)
Non-operating Revenues (Expenses)					
State appropriations	549,083	475,004	472,109	486,044	486,928
Refund to State	(68)	--	--	--	--
Gifts[4]	34,999	31,533	35,428	38,657	52,029
Investment income (loss), net	88,117	16,973	73,639	106,081	3,286
Disposal of capital assets	(1,626)	(8,648)	6,750	2,822	(1,328)
Loss on early extinguishment of debt	--	--	(490)	--	--
Interest expense	(24,352)	(23,955)	(21,391)	(21,358)	(24,427)
Federal grants and contracts	100,769	122,329	118,151	122,458	130,181
Other non-operating revenues	3,769	(991)	965	3,059	6,316
Net non-operating revenues	750,691	612,245	685,161	737,763	652,985
Income (Loss) before other revenue, expenses, gains or losses	88,969	(36,225)	57,237	74,733	(53,529)
State appropriations for capital purposes[6]	(3,047)	7,711	(3,468)	14,518	41
Capital grants and gifts[5]	13,441	17,196	6,984	12,722	86,146
Additions to permanent endowment[5]	3,140	489	427	278	549
Total other revenues	13,534	25,396	3,943	27,518	86,736
Increase (decrease) in net assets	102,503	(10,829)	61,180	102,251	33,207
NET ASSETS - beginning of year	2,150,623	2,253,126	2,242,297	2,299,765	2,402,016
GASB 65 Adjustments	--	--	(3,712)	--	--
GASB 68 Adjustments[7]	--	--	--	--	(340,297)
NET ASSETS - end of year	$2,253,126	$2,242,297	$2,299,765	$2,402,016	$2,094,926

(1) These amounts represent the financial results for the entire Nevada System of Higher Education, including the Universities, Nevada State College, the Community Colleges and the DRI, but exclude results for the legally separate campus foundations and medical school practice plans (*i.e.*, the System-Related Organizations).

(2) Net of scholarship allowances (in thousands): 2011-$91,504; 2012-$115,276; 2013-$121,080; 2014-$120,886; and 2015-$133,481.

(3) Includes amounts received from System Related Organizations. See the basic financial statements in Appendix A.

(4) Net of scholarship allowances (in thousands): 2011-$5,464; 2012-$5,083; 2013-$6,946; 2014-$5,264; and 2015-$5,219.

(5) Represents payments of estate tax funds to the State.

(6) Negative amounts reflect unused appropriations that revert to the State.

(7) Reflects negative adjustment attributable to implementation of GASB 68. See "THE SYSTEM – Retirement Plans and Other Post-Employment Benefits."

Source: Derived from information included in the System's Audited Financial Statements for the fiscal years ended June 30, 2011 through 2015.

Investment Policy

General. The System follows Board approved investment policies in managing all public funds, including operating funds and endowment funds. Copies of the investment policies, which are subject to Board amendment at any time, are available upon request. The Board has delegated to the Investment and Facilities Committee (the "Committee") the management of operating funds and endowment funds within the parameters of its investment policy. The Committee is comprised of six Board members. In addition, the Chancellor, the Vice Chancellor for Budget and Finance, and the Director of Banking and Investments serve as ex-officio non-voting members of the Committee, and the Committee may include one or more individuals with investment knowledge or expertise to serve as non-voting members of the Committee. The Committee meets at least quarterly and reviews its allocations each time. The Committee is required to review the investment objectives and policies at least every two years for their continued appropriateness.

The System currently utilizes several external investment managers to manage the operating funds and the endowment funds. The Committee has discretion to hire and terminate managers for any reason, and provides each manager with written guidelines.

The market values of the various pools discussed below are subject to change depending upon conditions which are beyond the control of the System, including general economic conditions and general financial conditions. In addition, the System, while investing in mutual funds, is subject to the same risks as other investors in the market including but not limited to adverse market conditions, competence of fund managers and ability of fund managers to maintain a solvent fund.

Operating Funds. The System does not currently invest its operating funds directly in individual securities. The operating funds are invested in professionally managed investment funds. The Operating Funds are comprised of three pools: the Short-Term Pool, the Intermediate-Term Pool and the Long-Term Pool. The Short-Term Pool must be invested in fixed income securities with average maturities of one year or less to maintain high liquidity and low risk of principal loss. The Intermediate-Term Pool must be invested in fixed income securities with average maturities of three years or less. The Long-Term Pool may be invested in fixed income securities, Treasury Inflation Protection Securities (TIPS), and U.S. and international common stocks. A portion of the Long-Term Pool also currently is invested in absolute return strategies, which previously were authorized investments; that asset class currently is being liquidated in stages.

As of December 31, 2015, the System had approximately $794 million of operating funds invested pursuant to the above investment policies.

Endowment Funds. The investment objective for the endowment funds is to attain an inflation-adjusted total return, net of fees, at least equal to the System's Board-approved net spending/distribution rate of 4.75% (based upon a 20-quarter moving average as set forth in Board policy). Effective July 1, 2009, the Board suspended distributions on all underwater accounts, unless expressly authorized by the donors in writing.

The endowment fund is allocated between an equity portfolio which provides long-term capital appreciation and growing income stream and a fixed income portfolio to provide a hedge against an extended deflation, to provide higher current income than equities and to diversify the portfolio. Board policy sets normal allocation and ranges for each type of portfolio. The normal allocation for the equity portfolio is 77%; a 70-85% range is permitted. The normal allocation for the fixed income portfolio is 23%; a 15-30% range is permitted. The equity portfolio is required to be diversified among domestic common stock (35% strategic allocation), international common stock (13% strategic allocation), alternative strategies (19% strategic allocation), and real estate and other inflation hedging assets (10% strategic allocation). The fixed income portfolio ordinarily will maintain a high credit quality (*i.e.*, normally a weighted average credit rating of AA or better and never below A) and an intermediate duration of between two and three years. The Board policy sets additional parameters for the allocation of the fixed income fund among issuers of single securities and non-dollar fixed income securities.

The permanent endowment fund (which includes quasi-endowment) was established July 1, 1984, with a total market value of approximately $20 million. As of December 31, 2015, the market value of the permanent endowment was approximately $222 million.

Liability Insurance

The System is insured for general liability, automobile liability and errors and omissions coverage through a program of self-insurance administered by the State. The System pays the State approximately $982,000 per year in premiums and the State pays the System's liability claims. Under State law, the System's liability is limited to $100,000 per cause of action (see "LEGAL MATTERS – Sovereign Immunity"). The System also shares an excess liability policy with the State that has limits of $15 million aggregate, excess of $2 million. For medical malpractice, the System is fully insured in the amount of $1 million per occurrence and $3 million annual aggregate. The System carries property insurance in the amount of $500 million per occurrence (except the limit is $100 million for flood and earthquake). This insurance has a $500,000 per occurrence deductible with an aggregate deductible of $1,000,000. The System purchases statutory coverage excess of $750,000 per occurrence of self-insured retention for workers' compensation. The System's Risk Manager believes this coverage is adequate for the System's needs.

Retirement Plans and Other Post-Employment Benefits

<u>Retirement Plans</u>. Substantially all of the permanent employees of the System are covered by retirement plans. The System is a public employer under the State Public Employees' Retirement System ("PERS"), which covers substantially all public employees of the State, its agencies and its political subdivisions. All classified employees and some professional employees are covered under PERS. PERS, established by the Nevada legislature effective July 1, 1948, is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. Retirement Board members serve for a term of four years. **Except for certain System-specific information set forth below, the information in this section has been obtained from publicly-available documents provided by PERS. The**

System has not independently verified the information obtained from the publicly-available documents provided by PERS and is not responsible for its accuracy.

Those professional employees not covered by PERS are covered by three self-directed alternative plans. Professional employees currently contribute 13.25% of their salary into the alternative plans, which are matched by the System and vested immediately. The alternative plans are defined contribution plans, and hence have no unfunded liability.

All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit plan. Benefits, as established by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under PERS include pension benefits, disability benefits and death benefits.

Regular members of PERS hired before January 1, 2010, are eligible for retirement benefits at age 65 with five years of service, at age 60 with 10 years of service or at any age with 30 years of service. Police and fire members are eligible for retirement benefits with five years of service at age 65, with 10 years of service at age 55, with 20 years of service at age 50, or at any age with 25 years of service. In its 2009 session, the Legislature made changes to the benefit structure for newly hired members of PERS on or after January 1, 2010, including raising the retirement age from 60 to 62 (with 10 years of service), reducing post-retirement benefit increases, changing the age/years of service calculations and changing the benefit calculations.

PERS has an annual actuarial valuation showing unfunded liability and the contribution rates required to fund PERS on an actuarial reserve basis; however, actual contribution rates are established by the Legislature. The most recent independent actuarial valuation report of PERS was completed as of June 30, 2015. As of June 30, 2012, PERS reported an unfunded actuarial accrued liability ("UAAL") of approximately $11.21 billion, the funded ratio for all members was 71.0% (actuarial value basis), and the market value of total net assets was approximately $27.40 billion. As of June 30, 2013, PERS reported a UAAL of approximately $12.88 billion, the funded ratio for all members was 69.3% (actuarial value basis), and the market value of total net assets was approximately $29.11 billion. As of June 30, 2014, PERS reported a UAAL of approximately $12.53 billion, the funded ratio for all members was 71.5% (actuarial value basis) and the market value of total assets was approximately $31.47 billion. As of June 30, 2015, PERS reported a UAAL of approximately $12.35 billion, the funded ratio for all members was 73.2% (actuarial value basis) and the market value of total assets was approximately $33.72 billion.

For the purpose of calculating the actuarially determined contribution rate, the UAAL is amortized as a level percent of payroll over a year-by-year closed amortization period where each amortization period is set at 30 years. The calculation method for the UAAL existing as of June 30, 2011, is amortized using the closed method over 30 years. Effective for fiscal year 2012, the PERS board adopted changes to the amortization method to be used to amortize new UAAL resulting from actuarial gains or losses and changes in actuarial assumptions. Any new UAAL will be amortized over a period equal to the truncated average remaining amortization period of all prior UAAL layers, until the average remaining amortization period is less than 20 years; after that time, 20-year amortization periods will be used. The PERS board also adopted a four-year asset smoothing policy for net deferred losses of approximately $616 million from the 2011 valuation and approximately $1,499 million in unrecognized investment losses. Unless offset by future investment gains, the recognition of the $1,499 million market loses is expected to decrease the future funded ratio and increase the future contribution rate.

PERS is funded as a "50/50" plan wherein employer and employee contribution rates are equally split as established by State statue. The statute allows for biennial increases or decreases of the actuarially determined rate and the Legislature can increase the contribution rate for members by any amount it determines necessary. **Pursuant to statute, there is no obligation on the part of the employer to pay for their proportionate share of the unfunded liability. However, the actuarially determined rates amortize the UAAL as described above. The System is obligated to contribute all amounts due under PERS.**

For the year ended June 30, 2015, PERS adopted Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25. This GASB replaces the requirements of GASB statements 25 and 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. It requires enhancement to footnote disclosure and required supplementary information for pension plans. In addition, it requires the determination of net pension liability ("NPL") as opposed to the previously disclosed UAAL.

Prior to these new standards, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions and require the unfunded portion of the pension liability to be apportioned among the participating employers. These standards apply for financial reporting purposes only and do not apply to contribution amounts for pension funding purposes.

With the implementation of GASB 67, PERS reported its total pension liability, fiduciary net position, and NPL in its financial statements for the fiscal year ended June 30, 2014. The total pension liability for financial reporting was determined on the same basis as the actuarial accrued liability measure for funding. The fiduciary net position is equal to the market value of assets. The NPL is equal to the difference between the total pension liability and the fiduciary net position.

PERS's NPL as of June 30, 2014 was $10.42 billion as compared to $13.15 billion as of June 30, 2013, when measured in accordance with GASB 67. PERS' fiduciary net position as a percentage of the total pension liability is 76.31% as of June 30, 2014, as compared to 68.68% as of June 30, 2013. Although PERS CAFR is not complete, its June 30, 2015 actuary report is complete. It reports the June 30, 2015 NPL as $11.46 billion, and its fiduciary net position as a percentage of total pension liability as 75.13%.

Effective with fiscal year 2015, the System is required to apply the GASB Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 ("GASB 68"), to its audited financial statements. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan, which include the NPL, deferred outflows of resources, deferred inflows of resources and pension expense. Among other requirements, the System was required to report its proportionate share of the total PERS (fiduciary) NPL in its financial statements. PERS was required to implement GASB 67. As a result of an actuarial study, the System's proportionate share of PERS's NPL is 2.81%, resulting in an adjustment to the beginning net position on the Statement of Revenues, Expenses, and Changes in Net Position for June 30, 2015 of $340,297. The implementation of this standard has no effect at the individual fund statement level. **The System has no legal obligation to fund any of PERS's NPL nor does it have any ability to affect funding, benefit, or actuarially determined contribution decisions made by PERS or the Legislature.**

Contribution rates to PERS are established in accordance with State statute. The statute allows for biennial increases or decreases of the actuarially determined rate. The Legislature can increase the contribution rate for members by any amount it determines necessary. Pursuant to statute, there is no obligation on the part of the employers to pay for their proportionate share of the unfunded liability. System employees may choose between the "employer pay" plan or the "employee/employer joint contribution" plan. The System is obligated to contribute all amounts due under the employer pay plan; under the employee/employer joint contribution plan, the employee pays one-half of the contribution. However, in accordance with State law, non-police/fire employees share the annual increases equally with the employer (unless otherwise prohibited by contract). As a result, salaries for regular PERS employees were reduced by 1% in fiscal years 2014 and 2015 in order to cover half of the increase in statutory contribution rates. A history of contribution rates is shown below.

	Fiscal Years 2008 and 2009	Fiscal Years 2010 and 2011	Fiscal Years 2012 and 2013	Fiscal Years 2014 and 2015
Employer Pay Plan				
Regular members	20.50%	21.50%	23.75%	25.75%
Police/fire members	33.50	37.00	39.75	40.50
Employee/Employer Plan (matching rate)				
Regular members (total)	21.0%	22.50%	24.5%	26.5%
Police/fire members (total)	34.5	38.00	40.5	41.5

See Note 16 in the audited financial statements attached hereto as Appendix A for additional information on PERS and the other System pension plans. In addition, copies of PERS' most recent annual financial report, including audited financial statements and required supplemental information, are available from the Public Employees Retirement System of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, telephone: (775) 687-4200.

The System's contributions to all retirement plans (including PERS) for the years ended June 30, 2014 and June 30, 2015 were approximately $86.2 million and $89.6 million, respectively.

Other Post-Employment Benefits. State employees (including the System's employees) have the option upon retirement to continue group health and life insurance benefits provided by the Public Employees' Benefits Program (the "PEBP"). The System's professional employees not participating in PERS also participate in the PEBP. See Note 17 in the audited financial statements attached hereto as Appendix A.

PEBP administers these benefits as a multiple-employer, cost-sharing defined benefit plan. The State Retirees' Health and Welfare Benefits Trust Fund (the "Trust Fund" or the "Retirees' Fund") has been established to provide benefits to retirees and their beneficiaries. The State's PEBP obligations are funded through legislative appropriations and assessments on participants (including the System); the level of those assessments also is legislatively established. Each biennium, the Legislature determines the level of a State subsidy toward the premium contribution of retired State employees, which is funded by a percentage of payroll assessment by each State agency. The participating employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies. However, the Legislature could determine to increase required System contributions in the future.

Benefit levels, including the level of subsidy provided by the State, are subject to change by the Legislature; the PEBP board has recommended reductions in benefits, reductions in employer contributions, increases in participant contributions and reductions in State subsidies in response to economic conditions and such changes have been approved by the Legislature in recent years. The 2011 Legislature enacted a law providing that employees hired on or after January 1, 2012, will not be eligible for health insurance subsidies upon retirement.

According to information provided to the System by the State, due to State-wide revenue shortfalls, Assembly Bill 3 of the 26th Special Session of the State Legislature (2010) directed State agencies to reduce their contributions for retiree health insurance by $24.7 million for fiscal year 2011. The reduced contributions required that PEBP withdraw $24.7 million from the Retirees' Benefits Investment Fund to cover retiree subsidies. Those actions by the State Legislature resulted in a decrease in the amount of money invested for pre-funding the State's OPEB liability from over $25 million to approximately $800,000 during fiscal year 2011. As of June 30, 2012, the Retirees' Fund had total assets of $3,680,356, of which $940,236 were held by the Retirees' Benefits Investment Fund administered by the Public Employees' Retirement System and $1,528,963 were held by the State's General Portfolio administered by the Nevada State Treasurer. As of June 30, 2012, after deducting $2,402,664 in liabilities, the Retirees' Fund had net assets of $1,277,692. The State does not currently have any plans to contribute any additional amounts to the Retirees' Fund to prefund benefits.

Pursuant to the GASB pronouncements, an OPEB Valuation is only required once every two years unless significant assumptions or benefits changes have occurred. Historically, PEBP has issued an OPEB valuation every year as it was determined the assumptions or benefits changes required it to do so. However, for the year ended June 30, 2012, it was determined the benefit design and assumptions did not change significantly enough to require an OPEB valuation. As such, no OPEB valuation was issued for that period.

The Trust Fund had a UAAL of $1.27 billion as of July 1, 2013 (fiscal year 2014) and $1.18 billion as of July 1, 2012 (fiscal year 2013). This compares to a UAAL of $1.18 billion as of July 1, 2012, $977 million as of July 1, 2011 and a UAAL of $947 million as of July 1, 2010. The UAAL liability is recorded on the financial statements of the Trust Fund, not the financial Statements of the State (or the System).

LEGAL MATTERS

Litigation

The System's Vice Chancellor for Legal Affairs states that, as of the date hereof, to the best of her knowledge, there is no pending or threatened litigation which would restrain or enjoin the issuance of the 2016B Certificates or the use of the Revenues to pay the 2016B Certificates. The System is, however, subject to certain pending and threatened litigation regarding various other matters arising in the ordinary course of operation of the System. It is the opinion of the System's counsel that the pending or threatened litigation will not result in final judgments against the System which would, individually or in the aggregate, materially adversely affect the System's financial position, its ability to pay the Base Payments or its ability to perform its obligations to the owners of the 2016B Certificates.

Approval of Certain Legal Proceedings

The approving opinion of Sherman & Howard L.L.C., as Special Counsel, will be delivered with the 2016B Certificates. A form of the opinion of Special Counsel is attached to this Official Statement as Appendix E. The opinion will include a statement that the obligations of the System and the Board are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the federal constitution, including bankruptcy. Sherman & Howard L.L.C. has also acted as Special Counsel to the System in connection with this Official Statement. The System's Vice Chancellor for Legal Affairs will certify to certain matters for the System. Certain legal matters will be passed upon for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Reno, Nevada.

Police Power

The obligations of the System are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power and powers of taxation inherent in the sovereignty of the State, and to the exercise by the United States of the powers delegated to it by the Federal Constitution (including bankruptcy).

Sovereign Immunity

Pursuant to State statute (NRS Section 41.035), an award for damages in an action sounding in tort against the System may not include any amount as exemplary or punitive damages and is limited to $100,000 per cause of action. See "SYSTEM FINANCIAL INFORMATION – Liability Insurance." The limitation does not apply to federal actions brought under federal law such as civil rights actions under 42 U.S.C. Section 1983 and actions under The Americans with Disabilities Act of 1990 (P.L. 101-336), or to actions in other states.

TAX MATTERS

In the opinion of Special Counsel, interest on the 2016B Certificates is included in gross income pursuant to the Tax Code. The Tax Code contains numerous provisions, including provisions related to the imposition of additional taxes, which may affect an investor's decision to purchase the 2016B Certificates. Further, under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2016B Certificates in certain situations including: (i) an owner who fails to provide certain required information to certain persons required to collect such information, (ii) the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406; of (iii) fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code.

The opinions expressed by Special Counsel are based on existing law as of the delivery date of the 2016B Certificates. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2016B Certificates. In addition, future court actions or regulatory decisions could affect the market value of the 2016B Certificates. Owners of the 2016B Certificates are advised to consult with their own tax advisors with respect to such matters.

Any tax advice concerning the 2016B Certificates, interest on the 2016B Certificates or any other federal income tax issues associated with the 2016B Certificates, express or implicit in the provisions of this Official Statement, is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on any taxpayer by the Internal Revenue Service. This document supports the promotion or marketing of the transactions or matters addressed herein. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

State Tax Exemption

The 2016B Certificates, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

RATINGS

Standard and Poor's Rating Service, a Standard & Poor's Financial Service, LLC business ("S&P") and Fitch, Inc. ("Fitch") have assigned the 2016B Certificates the respective ratings shown on the cover page of this Official Statement. An explanation of the significance of any rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York

10004. An explanation of the significance of any rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004.

There is no assurance that such ratings will continue for any given period of time after they are received or that they will not be lowered or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Other than the System's obligations under the Disclosure Certificate, neither the System nor the Financial Advisor has undertaken any responsibility either to bring to the attention of the owners of the 2016B Certificates any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change in or withdrawal of the ratings could have an adverse effect on the market price of the 2016B Certificates.

INDEPENDENT ACCOUNTANTS

The financial statements of the System as of and for the fiscal years ended June 30, 2015, included herein as Appendix A, have been audited by Grant Thornton LLP, certified public accountants, as stated in their report appearing herein. The audited financial statements of the System are public documents and pursuant to State law, no consent from the auditors is required to be obtained prior to inclusion of the audited financial statements in this Official Statement. The System has not requested that Grant Thornton LLP provide consent for inclusion of its audited financial statements in this Official Statement. Grant Thornton LLP has also not participated in any way in the preparation of this Official Statement. Further, since the date of its report, Grant Thornton LLP has not been engaged to perform nor has it performed any procedures on the financial statements addressed in its report, nor has Grant Thornton LLP performed any procedures relating to this Official Statement.

FINANCIAL ADVISOR

JNA Consulting Group LLC, 410 Nevada Way, Suite 200, Boulder City, Nevada 89005, telephone: (702) 294-5100 is serving as the Financial Advisor to the System in connection with the 2016B Certificates. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the System, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

UNDERWRITING

Citigroup Global Markets, Inc., a representative of the Underwriters, has agreed to purchase the 2016B Certificates pursuant to a Certificate Purchase Agreement at a price of $_____________ (equal to the par amount of the 2016B Certificates, plus net original issue premium of $____________, and less Underwriters' discount of $____________).

The Underwriters have committed to take and pay for all of the 2016B Certificates if any are taken. The Underwriters intend to offer each series of the 2016B Certificates to the public at the offering prices appearing on the inside cover page of this Official

Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriters.

Citigroup Global Markets Inc., an Underwriter of the 2016B Certificates, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2016B Certificates.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2016B Certificates.

OFFICIAL STATEMENT CERTIFICATION

The undersigned official of the System hereby confirms and certifies that the execution and delivery of this Official Statement and its use in connection with the offering and sale of the 2016B Certificates have been duly authorized by the Board.

FOR AND ON BEHALF OF THE NEVADA SYSTEM OF HIGHER EDUCATION

By: ____
Vice Chancellor for Finance and Administration

APPENDIX A

Audited Financial Statements of the System as of and for the Year Ended June 30, 2015

Nevada System of Higher Education
Financial Statements

June 30, 2015

University of Nevada, Reno
College of Southern Nevada
Western Nevada College

University of Nevada, Las Vegas
Great Basin College
Desert Research Institute

Nevada State College
Truckee Meadows Community College
System Administration

BOARD OF REGENTS

ADMINISTRATION

Nevada System of Higher Education
Financial Statements and Report of Independent Certified Public Accountants
As of and for the Year Ended June 30, 2015

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Report of Independent Certified Public Accountants

Board of Regents
Nevada System of Higher Education

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Nevada System of Higher Education (the "System") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of DRI Research Foundation, DRI Research Parks, Ltd., Truckee Meadows Community College Foundation, Great Basin College Foundation, UNLV Research Foundation, UNLV Rebel Football Foundation, College of Southern Nevada Foundation, and the Nevada State College Foundation, which statements collectively reflect total assets constituting 5.1% of the aggregate discretely presented component units total assets as of June 30, 2015 and total operating revenues of 4.6% of the aggregate discretely presented component units total operating revenues for the year then ended as described in Note 22 "System Related Organizations." Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's

Grant Thornton

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Schedule of Proportionate Share of the Net Pension Liability on page 46 and the Schedule of System Contributions on page 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining schedule of net position and combining schedule of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Grant Thornton LLP

Reno, Nevada
November 2, 2015

Nevada System of Higher Education

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Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the System) annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2015. This section provides a brief overview of noteworthy financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues that occurred during the year ended June 30, 2015, with comparative information as of June 30, 2014.

Since this discussion provides summary level financial information, it should be read in conjunction with the System's financial statements and accompanying footnotes that follow this section. Responsibility for the financial statements, footnotes and this discussion rests with System management. All amounts included in this discussion are presented in thousands of dollars.

SYSTEM AND SYSTEM RELATED ORGANIZATIONS

The System is a consolidation of the following 8 institutions of public higher education in Nevada and the Nevada System of Higher Education Administration entity:

University of Nevada, Reno
Desert Research Institute
Truckee Meadows Community College
Western Nevada College
Great Basin College
University of Nevada, Las Vegas
College of Southern Nevada
Nevada State College

This annual financial report and statements include the above institutions of the System as well as certain other organizations, also called component units, that have a significant relationship with the institutions. These component units are related tax exempt organizations primarily founded to foster and promote the growth, progress, and general welfare of the institutions. They exist to solicit, receive and administer gifts and donations for the institutions or, in the case of the University of Nevada School of Medicine practice plans (Integrated Clinical Services, Inc.), to facilitate patient care activities. The System component units are as follows:

University of Nevada, Reno Foundation
Athletic Association University of Nevada
University of Nevada School of Medicine Practice Plans (Integrated Clinical Services, Inc.)
Desert Research Institute Foundation
Desert Research Institute Research Parks LTD
Truckee Meadows Community College Foundation
Western Nevada College Foundation
Great Basin College Foundation
University of Nevada, Las Vegas Foundation
University of Nevada, Las Vegas Research Foundation
Rebel Golf Foundation
University of Nevada, Las Vegas Alumni Association
University of Nevada, Las Vegas Rebel Football Foundation
University of Nevada, Las Vegas Singapore Unlimited
College of Southern Nevada Foundation
Nevada State College Foundation

Component units issue separately audited or reviewed financial statements from the System.

SYSTEM FINANCIAL HIGHLIGHTS FROM 2014 TO 2015 (in $1,000's)

- Total net position decreased 12.8% from $2,402,016 to $2,094,926;
- Capital assets increased 5.9% from $1,906,308 to $2,018,603;
- Operating revenues increased 0.9% from $823,037 to $830,377;
- Nonoperating revenues decreased 11.5% from $737,763 to $652,985; and
- Operating expenses increased 3.4% from $1,486,067 to $1,536,891.

USING THIS REPORT

This report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities.* These statements focus on the financial condition of the System, the results of operations, and the cash flows of the System as a whole.

One of the most important questions asked about System finances is whether the System as a whole is better off or worse off as a result of the year's activities. There are three key components to answering this question. They are the Combined Statements of Net Position; the Combined Statements of Revenues, Expenses and Changes in Net Position; and the Combined Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The System's net position (the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources) is an important gauge of the System's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Combined Statements of Net Position include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when a third party provides the services, regardless of when cash is exchanged.

The Combined Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public higher education system's dependency on state appropriations will usually result in operating deficits. This is because the financial reporting model classifies state appropriations as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the System's ability to meet financial obligations as they mature and come due. The Combined Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital financing, non-capital financing, and investing activities.

For 2015, information included in this management's discussion and analysis may not be comparable due to the implementation of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. With the implementation of GASB 68, all information necessary to restate the 2014 financial statements in accordance with US Generally Accepted Accounting Principles was not available. As such, only a single year is presented in the audited financial statements.

GASB 68 is a financial reporting standard that requires government employers participating in cost-sharing pension plans, such as the Public Employer's Retirement System of Nevada (PERS), to report certain elements on their financial statements. As a result, the System is reporting pension related deferred inflows/outflows of resources and net pension liability on the Statements of Net Position. It is important to note that GASB 68 did not create this liability or change the terms of the PERS retirement plan. System employees participating in the Retirement Plan Alternative (RPA) are not included, as the RPA is a defined contribution plan and no liability exists.

CONDENSED FINANCIAL INFORMATION

ASSETS AND LIABILITIES

The Combined Statement of Net Position is a point-in-time financial statement presenting the financial position of the System as of June 30, 2015, with a comparison made to June 30, 2014. This Statement presents end-of-year data for Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources).

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System Net Position (in $1,000's)

	2015	2014	Increase/ (Decrease)	Percent Change
Assets				
Current Assets	$878,226	$899,274	$(21,048)	(2)%
Capital Assets	2,018,603	1,906,308	112,295	6%
Other Assets	399,317	351,276	48,041	14%
Total Assets	3,296,146	3,156,858	139,288	4%
Deferred Outflows of Resources	40,608	11,777	28,831	245%
Liabilities				
Current Liabilities	261,322	238,487	22,835	10%
Noncurrent Liabilities	896,224	528,084	368,140	70%
Total Liabilities	1,157,546	766,571	390,975	51%
Deferred Inflows of resources	84,282	48	84,234	175,488%
Net Position				
Net investment in capital assets	1,507,908	1,454,276	53,632	4%
Restricted, nonexpendable	87,351	87,443	(92)	0%
Restricted, expendable	286,173	251,017	35,156	14%
Unrestricted	213,494	609,280	(395,786)	(65)%
Total Net Position	$2,094,926	$2,402,016	$(307,090)	(13)%

Assets

Total assets of the System are currently showing an increase of $139.3 million, or 4%. The increase that occurred in capital and other assets was slightly offset by a decrease in current assets. The decrease in current assets is primarily due to a decrease in the valuation of the short-term investments accounts. The increase in capital assets is reflective of the purchase and construction of capital assets less normal depreciation for the year. The increase in other assets relates primarily to the increase in restricted cash due to unspent bond proceeds offset by the slight decrease in endowment investments due to market fluctuation.

Liabilities

Total liabilities for the year increased by $391.0 million; a $22.8 million increase in current liabilities and $368.1 million increase in non-current liabilities. The increase in current liabilities was primarily due to an increase in accounts payable, accrued payroll and related liabilities, and accrued interest payable. The increase in non-current liabilities was primarily driven by the initial booking of the net pension liability as required by GASB 68.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a future consumption of net position, increased $28.8 million. This increase relates to the initial year of pension related deferred outflows of resources being presented. Similarly, deferred inflows of resources, a future acquisition of net position, increased $84.2 million, due to the booking of pension related deferred inflows of resources for the first time in 2015.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, provides the equity in property, plant, and equipment owned by the System. The next category is restricted net position, which is presented as two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position are available for expenditure by the System, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is net assets available to the System for any lawful purpose.

Net Investment in Capital Assets

The net investment in capital assets classification of net position represents the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The $53.6 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and debt reduction associated with capital assets.

Restricted, Nonexpendable/Expendable

The System's endowment funds consist of both permanent endowments and funds functioning as endowments or quasi-endowments.

Permanent endowments are those funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income that is to be expended for the purposes stipulated by the donor.

Unrestricted Net Position

Unrestricted net position decreased by $395.8 million in 2015. This decrease primarily relates to the implementation of GASB 68 and the new net pension liability reflected in the 2015 financial statements. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the System's unrestricted net position has been designated for various academic and research programs and initiatives, as well as capital projects. Funds functioning as an endowment consist of unrestricted funds that have been allocated by the System for long-term investment purposes, although amounts are not subject to donor restrictions requiring the System to preserve the principal in perpetuity. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

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System Related Organizations

Net Position (in $1,000's)

	2015	2014	Increase/ (Decrease)	Percent Change
Assets				
Current Assets	$339,552	$289,133	$50,419	17%
Capital Assets	7,039	7,378	(339)	(5)%
Other Assets	319,356	311,626	7,730	2%
Total Assets	665,947	608,137	57,810	10%
Liabilities				
Current Liabilities	31,724	25,058	6,666	27%
Non-Current Liabilities	5,896	6,828	(932)	(14)%
Total Liabilities	37,620	31,886	5,734	18%
Deferred Inflows of Resources	15,788	10,071	5,717	57%
Net Position				
Net Investment in Capital Assets	5,884	6,215	(331)	(5)%
Restricted, Nonexpendable	291,435	265,777	25,658	10%
Restricted, Expendable	267,761	243,187	24,574	10%
Unrestricted	47,459	51,001	(3,542)	(7)%
Total Net Position	$612,539	$566,180	$ 46,359	8%

The sixteen campus and athletic foundations, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for construction of facilities as well as scholarships and other operating costs. Changes in the above schedule primarily reflect the foundations' increase in investments and pledges receivable offset by increased unearned revenue and deferred lease revenue.

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position as presented on the Combined Statement of Net Position are based on the activity presented in the Combined Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the System, both operating and nonoperating, and the expenses paid by the System, operating and nonoperating, as well as any other revenues, expenses, gains and losses received or spent by the System.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the System. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the System. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are considered nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

System Revenues, Expenses and Changes in Net Position (in $1,000's)

The Combined Statement of Revenues, Expenses, and Changes in Net Position indicates the change in net position at the end of the year decreased by approximately $69.0 as discussed below.

Unaudited

	2015	2014	Increase/ Decrease	Percent Change
Operating Revenues				
Student tuition and fees, net	$370,886	$372,396	$ (1,510)	0%
Grants and contracts, Federal	156,599	160,530	(3,931)	(2)%
Grants and contracts, other	79,038	76,502	2,536	3%
Sales and services	186,893	175,108	11,785	7%
Other	36,961	38,501	(1,540)	(4)%
Total Operating Revenues	830,377	823,037	7,340	1%
Operating Expenses				
Employees comp/benefits	(975,051)	(934,477)	(40,574)	4%
Utilities	(34,081)	(32,563)	(1,518)	5%
Supplies and services	(342,721)	(332,798)	(9,923)	3%
Scholarship and Fellowships	(90,015)	(90,333)	318	0%
Other	(113)	(282)	169	(60)%
Depreciation	(94,910)	(95,614)	704	(1)%
Total Operating Expenses	(1,536,891)	(1,486,067)	(50,824)	3%
Nonoperating Revenues (Expenses)				
State appropriation	486,928	486,044	884	0%
Federal grants	130,181	122,458	7,723	6%
Gifts	52,029	38,657	13,372	35%
Investment income, net	3,286	106,081	(102,795)	(97)%
Disposal of capital asset	(1,328)	2,822	(4,150)	(147)%
Interest expense	(24,427)	(21,358)	(3,069)	14%
Other nonoperating revenues (expenses)	6,316	3,059	3,257	106%
Total Nonoperating Revenues (Expenses)	652,985	737,763	(84,778)	(11)%
Other Revenues (Expenses)	86,736	27,518	59,218	215%
Net Position				
Increase (Decrease) in Net Position	33,207	102,251	(69,044)	(68)%
Net position, beginning of year, as previously reported	2,402,016	2,299,765	102,251	4%
Change in accounting principle, GASB 68 adjustments	(340,297)	-	(340,297)	(100)%
Net position, beginning of year, as restated	2,061,719	2,299,765	(238,046)	(10)%
Net position, end of year	$2,094,926	$2,402,016	$(307,090)	(13)%

Operating revenues increased by $7.3 million 1% and operating expenses increased by $50.8 million 3%, resulting in an increase in the operating loss of $43.5 million (7%).

Operating Revenue - Student Tuition and Fees decreased less than one percent to $370.9 million primarily as a result of an increase in scholarship allowance. Federal grants and contracts experienced a decrease of 2% to $156.6 million while State, local and other grants and contracts increased 3% to $79.0 million.

The increase in operating expenses was driven by the increase in Employee Compensation and Benefits. This increase primarily relates to the restoration of pay cuts and merit pay increases for all System employees.

Nonoperating net revenues decreased by $84.8 million. This was led by significant decreases in investment income, net due to market fluctuation of $102.8 million, offset by increases in gifts of $13.4 million and Federal grants of $7.7 million.

System Related Organizations

Component entities' ending net position increased from 2014 to 2015, as shown in the following schedule.

	2015	2014	Increase/ Decrease	Percent Change
Operating Revenues				
Patient revenue	$ 51,797	$ 51,574	$ 223	0%
Contract revenue	8,686	8,131	555	7%
Contributions	72,803	63,648	9,155	14%
Campus support	6,884	5,449	1,435	26%
Other	13,362	15,191	(1,829)	(12)%
Total Operating Revenues	153,532	143,993	9,539	7%
Operating Expenses				
Program expenses	(47,854)	(46,500)	(1,354)	3%
Other operating expenses	(42,463)	(41,047)	(1,416)	3%
Depreciation	(665)	(796)	131	(16)%
Total Operating Expenses	(90,982)	(88,343)	(2,639)	3%
Nonoperating Revenues (Expenses)				
Investment income (loss), net	7,531	55,936	(48,405)	(87)%
Payments to NSHE System	(51,878)	(44,234)	(7,644)	17%
Other nonoperating revenues (expenses)	(1,486)	1,549	(3,035)	(196)%
Total Nonoperating Revenues (Expenses)	(45,833)	13,251	(59,084)	(446)%
Other Revenues	29,309	9,345	19,964	214%
Net Position				
Increase (Decrease) in net position	46,026	78,246	(32,220)	(41)%
Net position, beginning of year, as previously reported	566,180	487,934	78,246	16%
Correction of an error, contributions receivable	333	-	333	100%
Net position, beginning of year, As restated	566,513	487,934	78,579	16%
Net Position, end of year	$612,539	$566,180	$46,359	8%

CASH FLOWS (in $1,000's)

Net cash flows decreased slightly when compared to 2014 as discussed further below. Cash flows from operating activities decreased due to increased payments to employees for compensation and benefits offset by increased payments received for sales and services. Net operating cash flows (amount of cash from operating activities) decreased 9%.

	2015	2014	Increase/ (Decrease)	Percent Change
Operating activities	$(606,630)	$(558,254)	$(48,376)	9%
Noncapital financing	684,710	646,493	38,217	6%
Capital financing activities	(53,170)	(33,627)	(19,543)	58%
Investing activities	44,181	22,766	21,415	94%
Net increase (decrease) in cash	69,091	77,378	(8,287)	
Cash - beginning of year	283,845	206,467	77,378	
Cash - end of year	$352,936	$283,845	$ 69,091	

Cash flows from noncapital financing activities increased $38.2 million. This increase was primarily related to the increase in cash received from gifts and grants. Cash flows from capital financing activities decreased $19.5 million, due to increases in proceeds from capital debt offset by larger increases in purchases of capital assets and principal payments. Cash flows from investing activities increased by $21.4 million as a result of normal investment activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2015, the System had invested $2,018.6 million in a broad range of capital assets, including equipment, buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets and land. This represents a net increase (including additions and deletions) of $112.3 million over June 30, 2014.

During fiscal year 2015, NSHE issued $103.2 million of long-term bonds and obligations to finance projects at UNR, UNLV, and TMCC and to refinance existing obligations for interest savings. As of June 30, 2015, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 5.72 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.68 times, above minimum required coverage of 1.10. Coverage for the System's University Revenue Bonds is based upon two formulas. The statutory coverage ratio is based upon pledged revenues described in Nevada Revised Statutes authorizing the issuance of revenue bonds. The second, comprehensive coverage ratio, is based upon all revenues pledged to the bonds (including the statutory revenues) in the bond resolutions adopted by the Board of Regents. The statutory and comprehensive coverage ratios feature different minimum coverage thresholds that govern the issuance of additional revenue bond debt. NSHE issued a total of $16.0 (maximum) million of notes payable during fiscal year 2015.

FUTURE FINANCIAL EFFECTS

In recent years the demand for higher education services has increased, with some institutions showing moderate growth and others reporting small declines in enrollments. In fiscal year 2015, the System realized a net gain of student full time equivalent (FTE) enrollment of 4% or 2,427 FTE students system-wide compared to fiscal year 2014. Student FTE enrollments increased at both of the State's two universities, and three community colleges and decreased slightly at the State College and one community college. The System anticipates enrollments system-wide in fiscal year 2016 will exceed enrollments in fiscal year 2015.

The Legislatively approved System operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The Operating Budget totals $840.9 million for fiscal year 2016. This compares to the fiscal year 2015 Operating Budget of $763.7 million and represents a 10% increase. General fund revenues of $543.9 million in fiscal year 2016 will exceed general fund revenues of $499.3 million in fiscal year 2015 by $44.5 million or by 9% due mainly to legislative actions funding; an increase in student enrollment, start-up costs for a new medical school at the University of Nevada, Las Vegas, a 1% cost of living adjustment, and elimination of the six day furlough savings of approximately 2% of employee salaries. The fiscal year 2016 general fund appropriation includes $4.8 million for employee cost of living adjustments appropriated to the State Board of Examiners.

Other authorized revenue sources, consisting mainly of student fee revenues, total $297.1 million in fiscal year 2016, approximately $32.7 million more than in fiscal year 2015, due mostly to an increase in enrollments and student registration fees.

Student enrollment system-wide is anticipated to exceed projected and budgeted enrollment in fiscal year 2016 and therefore, pursuant to Assembly Bill 490 of the 2015 legislative session, the System may budget and expend, in the State Supported Operating Budget, any additional collections of student fee revenues over budgeted revenues due to increased enrollments or Board of Regent authorized increases in registration or nor-resident tuition fees.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the System, including statements written in this discussion and analysis or made orally by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Other than statements of historical facts, all statements that address activities, events or developments that the System expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The System does not update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions, or changes in other factors affecting such forward-looking information.

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NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF NET POSITION (in $1,000's)
AS OF JUNE 30, 2015

	System		System Related Organizations	
ASSETS				
Current Assets				
Cash and cash equivalents	$	213,810	$	63,267
Restricted cash and cash equivalents		138		2,869
Short-term investments		550,011		228,625
Accounts receivable, net		53,897		1,038
Receivable from U.S. Government		40,445		-
Receivable from State of Nevada		2,474		-
Pledges receivable, net		-		30,330
Patient accounts receivable, net		-		9,231
Current portion of loans receivable, net		1,908		57
Inventories		6,736		510
Deposits and prepaid expenditures, current		7,598		994
Other		1,209		2,631
Total Current Assets		878,226		339,552
Noncurrent Assets				
Cash held by State Treasurer		3,127		-
Restricted cash and cash equivalents		135,861		-
Restricted investments		-		45,559
Endowment investments		242,830		196,856
Deposits and prepaid expenditures		81		-
Loans receivable, net		10,795		30
Capital assets, net		2,018,603		7,039
Pledges receivable, net		6,434		53,266
Other noncurrent assets		189		23,645
Total Noncurrent Assets		2,417,920		326,395
TOTAL ASSETS		3,296,146		665,947
DEFERRED OUTFLOWS OF RESOURCES				
Pension related		29,901		-
Loss on bond refunding		10,707		-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$	40,608	$	-

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF NET POSITION (in $1,000's) (CONTINUED)
AS OF JUNE 30, 2015

	System	System Related Organizations
LIABILITIES		
Current Liabilities		
Accounts payable	$ 57,629	$ 6,086
Accrued payroll and related liabilities	75,284	2,069
Unemployment insurance and workers compensation	4,499	-
Due to State of Nevada	2,885	-
Current portion of compensated absences	32,663	-
Current portion of long-term debt	26,037	64
Current portion of obligations under capital leases	3,228	-
Accrued interest payable	11,137	3
Unearned revenue	40,979	5,339
Funds held in trust for others	6,908	16
Due to affiliates	-	15,452
Other	73	2,695
Total Current Liabilities	261,322	31,724
Noncurrent Liabilities		
Refundable advances under federal loan programs	8,205	-
Compensated absences	17,453	161
Unearned revenue	-	2,044
Long-term debt	529,313	199
Obligations under capital leases	43,048	-
Due to State of Nevada	3,234	-
Unearned revenue	1,401	-
Net pension liability	292,841	-
Other noncurrent liabilities	729	3,492
Total Noncurrent Liabilities	896,224	5,896
TOTAL LIABILITIES	1,157,546	37,620
DEFERRED INFLOWS OF RESOURCES		
Pension related	84,152	-
Gain on bond refunding	130	-
Endowment pledge donations, net	-	11,669
Deferred lease revenue	-	4,119
TOTAL DEFERRED INFLOWS OF RESOURCES	84,282	15,788
NET POSITION		
Net investment in capital assets	1,507,908	5,884
Restricted - Nonexpendable	87,351	291,435
Restricted - Expendable - Scholarships, research and instruction	154,571	264,910
Restricted - Expendable - Loans	8,188	-
Restricted - Expendable - Capital projects	101,703	681
Restricted - Expendable - Debt service	21,711	-
Restricted - Expendable - Other	-	2,170
Unrestricted	213,494	47,459
TOTAL NET POSITION	$ 2,094,926	$ 612,539

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2015

	System	System Related Organizations
Operating Revenues		
Student tuition and fees (net of scholarship allowance of $133,481)	$ 370,886	$ 3,567
Federal grants and contracts	156,599	-
State grants and contracts	35,275	-
Local grants and contracts	26,094	-
Other grants and contracts	17,669	-
Campus support	10	6,884
Sales and services of educational departments (including $27,208 from System Related Organizations)	90,791	-
Sales and services of auxiliary enterprises (net of scholarship allowance of $5,219)	96,102	-
Contributions	-	72,803
Patient revenue	-	51,797
Contract revenue	-	8,686
Special events and fundraising	-	4,512
Interest earned on loans receivable	258	169
Other operating revenues	36,693	5,114
Total Operating Revenues	830,377	153,532
Operating Expenses		
Employee compensation and benefits	(975,051)	(29,746)
Utilities	(34,081)	-
Supplies and services	(342,721)	(6,223)
Scholarships and fellowships	(90,015)	(175)
Program expenses, System Related Organizations	-	(47,854)
Depreciation	(94,910)	(665)
Other operating expenses	(113)	(6,319)
Total Operating Expenses	(1,536,891)	(90,982)
Operating Income (Loss)	(706,514)	62,550
Nonoperating Revenues (Expenses)		
State appropriations	486,928	-
Gifts (including $41,169 from System Related Organizations)	52,029	-
Investment income, net	3,286	7,531
Gain/(Loss) on disposal of capital assets	(1,328)	7
Interest expense	(24,427)	(44)
Payments to System campuses and divisions	-	(51,878)
Other nonoperating revenues (expenses)	6,316	(1,449)
Federal grants and contracts	130,181	-
Total Nonoperating Revenues (Expenses)	652,985	(45,833)
Income (Loss) Before Other Revenue (Expenses)	(53,529)	16,717
Other Revenues		
State appropriations (returns) restricted for capital purposes	41	-
Capital grants and gifts (including $5,274 from System Related Organizations)	86,146	101
Additions to permanent endowments (including $211 from System Related Organizations)	549	29,642
Other Foundation revenues	-	(434)
Total Other Revenues	86,736	29,309
Increase in Net Position	33,207	46,026
NET POSITION		
Net position - beginning of year, as previously reported	2,402,016	566,180
Change in Accounting Principle, GASB 68 adjustments	(340,297)	-
Correction of an error, Contributions receivable	-	333
Net position - beginning of year, as restated	2,061,719	566,513
Net position - end of year	$ 2,094,926	$ 612,539

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF CASH FLOWS (in $1000's)
FOR THE YEAR ENDED JUNE 30, 2015

Cash flows from operating activities		
Tuition and fees	$	361,157
Grants and contracts		235,989
Payments to suppliers		(350,848)
Payments for utilities		(32,838)
Payments for compensation and benefits		(958,170)
Payments for scholarships and fellowships		(89,989)
Loans issued to students and employees		(7,469)
Collection of loans to students and employees		7,438
Sales and services of auxiliary enterprises		98,127
Sales and services of educational departments		90,384
Other receipts		39,589
Cash flows from operating activities		(606,630)
Cash flows from noncapital financing activities		
State appropriations		484,674
State appropriations refunded		12,475
Gifts and grants for other than capital purposes		57,955
Gift for endowment purposes		624
Receipts under federal student loan programs		201,768
Disbursements under federal student loan programs		(201,949)
Other		6,804
Agency transactions		(2,096)
Federal grants and contracts		124,455
Cash flows from noncapital financing activities		684,710
Cash flows from capital and related financing activities		
Proceeds from capital debt		146,825
Payments for debt issuance costs		(685)
Capital appropriations		1,276
Capital grants and gifts received		90,169
Purchases of capital assets		(193,169)
Proceeds from sale of property and equipment		607
Principal paid on capital debt and leases, including defeasance		(74,397)
Interest paid on capital debt and leases		(23,677)
Deposits for the acquisition of property and equipment		(119)
Cash flows from capital and related financing activities		(53,170)
Cash flows from investing activities		
Proceeds from sales and maturities of investments		120,732
Purchase of investments		(99,979)
Interest and dividends received on investments		25,041
Net increase in cash equivalents, noncurrent investments		(1,613)
Cash flows from investing activities		44,181
Net increase in cash		69,091
Cash and cash equivalents, beginning of year		283,845
Cash and cash equivalents, end of year	$	352,936

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

COMBINED STATEMENT OF CASH FLOWS (in $1000's) (CONTINUED)

Reconciliation of operating loss to cash flows from operating activities		
Operating loss	$	(706,514)
Adjustments to reconcile operating loss to cash used in operating activities:		
Supplies expense related to noncash gifts		844
Depreciation and amortization expense		94,910
Change in pension related deferred outflows of resources		(709)
Change in pension related deferred inflows of resources		84,153
Changes in assets and liabilities:		
Accounts receivable, net		(13,520)
Receivable from U.S. Government		(1,835)
Receivable from State of Nevada		(45)
Loans receivable, net		78
Inventories		(23)
Deposits and prepaid expenditures		5,913
Accounts payable		(606)
Accrued payroll and related liabilities		7,088
Unemployment and workers' compensation insurance liability		314
Unearned revenue		(2,271)
Refundable advances under federal loan program		(54)
Compensated absences		2,284
Net pension liability		(76,648)
Other		11
Cash flows from operating activities	$	(606,630)
Supplemental noncash activities information		
Loss on disposal of capital assets	$	1,271
Capital assets acquired by gifts	$	1,933
Capital assets acquired by incurring capital lease obligations and accounts payable	$	20,584
Unrealized gain (loss) on investments	$	(49,989)

NOTE 1 – Organization:

The financial statements represent the combined financial statements of the various divisions and campuses of the Nevada System of Higher Education (the System or NSHE) which include:

University of Nevada, Reno (UNR)
University of Nevada, Las Vegas (UNLV)
Nevada State College (NSC)
College of Southern Nevada (CSN)
Truckee Meadows Community College (TMCC)
Western Nevada College (WNC)
Great Basin College (GBC)
Desert Research Institute (DRI)
Nevada System of Higher Education Administration (System Admin)

The System is an entity of the State of Nevada (the State) and receives significant support from, and has significant assets held by the State as set forth in the accompanying combined financial statements. The System is a component unit of the State of Nevada in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34.* The System Related Organizations' columns in these combined financial statements are comprised of data from the System's discretely presented campus and athletic foundations and medical school practice plans, which include: University of Nevada, Reno Foundation, Athletic Association University of Nevada, Integrated Clinical Services, Inc., Desert Research Institute Foundation, Desert Research Institute Research Parks LTD, Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, University of Nevada, Las Vegas Foundation, University of Nevada, Las Vegas Research Foundation, Rebel Golf Foundation, University of Nevada, Las Vegas Alumni Foundation, University of Nevada, Las Vegas Rebel Football Foundation, University of Nevada, Las Vegas Singapore, College of Southern Nevada Foundation, and Nevada State College Foundation. These System Related Organizations are included as part of the System's combined financial statements because of the nature and the significance of their financial relationship with the System.

The System Related Organizations include campus foundations which are related tax-exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the year ended June 30, 2015, the foundations distributed $51,878 to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Vic Redding, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

The System Related Organizations also include three legally separate non-profit organizations, together known as Integrated Clinical Services, Inc. (ICS). ICS includes the University of Nevada School of Medicine Multispecialty Group Practice North, Inc., University of Nevada School of Medicine Group Practice South, Inc., and Nevada Family Practice Residency Program, Inc. ICS was established for the benefit of the University of Nevada School of Medicine and its faculty physicians who are engaged in patient care activities. During the year ended June 30, 2015, ICS distributed $27,208 to the System for restricted purposes. Complete financial statements for ICS can be obtained from Vic Redding, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

NOTE 2 – Summary of Significant Accounting Policies:

The significant accounting policies followed by the System are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION

For financial statement reporting purposes, the System is considered a special purpose government engaged only in business-type activities. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities.*

The financial statements required by Statement No. 35 are the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. Financial reporting requirements also include Management's Discussion and Analysis of the System's financial position and results of operations.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 2 – Summary of Significant Accounting Policies (continued):

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred. All significant transactions between various divisions and campuses of the System have been eliminated. The financial statements are presented using the economic resources measurement focus.

CASH AND CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the System with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. These amounts are included in cash and cash equivalents in the Statement of Cash Flows.

INVESTMENTS

Investments are stated at fair value. Fair value of investments is determined from quoted market prices, quotes obtained from brokers or reference to other publicly available market information. Interests in private equity partnerships and commingled funds are based upon the latest valuations provided by the general partners or fund managers of the respective partnerships and funds adjusted for cash receipts, cash disbursements and securities distributions through June 30. The System believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the private equity partnerships and private commingled funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for such investments existed. Investment transactions are recorded on the date the securities are purchased or sold (trade-date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

INVENTORIES

Inventories consist primarily of bookstore and agricultural inventories, and other items held for sale and are stated at lower of estimated cost or market. Cost is calculated primarily on the first-in, first-out method.

PLEDGES

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-Exchange Transactions,* private donations are recognized when all eligibility requirements are met, provided that the pledge is verifiable, the resources are measurable and collection is probable. Pledges receivable are recorded at net present value using the appropriate discount rate. An allowance for uncollectible pledges is estimated based on collection history and is netted against the gross pledges receivable.

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of $5 in the year ended June 30, 2015 and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair market value at date of donation in the case of gifts. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated. Interest in the amount of $3,957 was capitalized during the year ended June 30, 2015. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Assets	Year
Buildings and improvements	6 to 40
Land improvements	10 to 15
Machinery and equipment	3 to 18
Library books	5
Leasehold improvements	shorter of useful life or lease term
Intangible assets	5 to 10

Collections are capitalized at cost or fair value at the date of donation. The System's collections are protected, preserved and held for public exhibition, education or research and include art and rare book collections which are considered inexhaustible and are therefore not depreciated.

NOTE 2 – Summary of Significant Accounting Policies (continued):

UNEARNED REVENUE

Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees and fees for housing and dining services, and advanced ticket sales for athletic and other events.

COMPENSATED ABSENCES

The System accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked. Such accrued expenses have been classified as a component of employee compensation and benefits in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

FEDERAL REFUNDABLE LOANS

Certain loans to students are administered by the System campuses, with funding primarily supported by the federal government. The System's Statements of Net Position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from the PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. NSHE has pension related and loss on bond refunding that qualify for reporting in this category. Pension related deferred outflows of resources are discussed in depth in Note 16. A loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. NSHE has pension related, gain on bond refunding, endowment pledge donations, net, and deferred lease revenue that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 16. A gain on bond refunding results from the difference in the reacquisition price and the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Endowment pledge donations, net consist of future commitments to donate funds to support an endowment. Deferred lease revenue represents lease revenue that will be recognized in future periods.

NET POSITION

Net position is classified as follows:

Net investment in capital assets: This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position – nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purposes of producing present and future income, which may either be expended or added to principal.

NOTE 2 – Summary of Significant Accounting Policies (continued):

Restricted net position – expendable: Restricted expendable net position includes resources which must be expended in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are applied first.

OPERATING AND NONOPERATING REVENUES AND EXPENSES

SYSTEM

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as nonoperating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities, therefore, they are reported as nonoperating revenues. Grants and contracts representing nonexchange receipts are treated as nonoperating revenues.

Functional classification of expenses is determined when an account is established and is assigned based on the functional definitions by the National Association of College and University Business Officers' Financial Accounting and Reporting Manual.

INTEGRATED CLINICAL SERVICES, INC.

Net patient service revenue is reported when services are provided to patients at the estimated net realizable amounts from patients, third-party payors including Medicare and Medicaid, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net professional revenues. Contractual adjustments include differences between established billing rates and amounts reimbursable under various contractual agreements. Normal differences between final reimbursements and estimated amounts accrued in previous year are recorded as adjustments of the current year's contractual and bad debt adjustments. Substantially all of the operating expenses are directly or indirectly related to patient care.

FOUNDATIONS

Donations, gifts and pledges are recognized as income when all eligibility requirements are met, provided that the promise to give is verifiable, the resources are measurable and collection is probable.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the institutions, and the amount that is paid by students and/or third parties making payments on the students' behalf. Payments of financial aid made directly to students are classified as scholarships and fellowships expenses.

GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for the year ended June 30, 2015 were $9,418.

NOTE 2 – Summary of Significant Accounting Policies (continued):

TAX EXEMPTION

The System is an affiliate of a government unit in accordance with the Internal Revenue Service's Revenue Procedure 95-48 and is exempt from federal taxes. The discretely presented System Related Organizations are qualified tax-exempt organizations under the provisions of Section 501(c) (3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal year beginning after December 15, 2014. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The System has implemented these pronouncements, which resulted in an adjustment to the beginning net position on the Statement of Revenue, Expenses, and Changes in Net Position for June 30, 2015 of $(340,297) to record the impact of the prior year pension related elements of net position.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72), which addresses accounting and financial reporting issues related to fair value measurements. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes in addition to providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for fiscal years beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB 73 is effective for fiscal years beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

NOTE 3 – System Cash and Cash Equivalents:

Cash and cash equivalents of the System are stated at cost, which approximates market, and consists of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2015, the System's deposits in money market funds totaled $209,659, and cash in bank was $6,019. Of these balances, $250 are covered by the Federal Depository Insurance Corporation (FDIC), the remaining deposits are uncollateralized and uninsured. Restricted cash represents the unexpended bond proceeds held for construction of major assets.

NOTE 4 – System Investments:

Board of Regents policies include the Statement of Investment Objectives and Policies for the Endowment and Operating Funds of the System. This policy governs the investment management of both funds. The Board of Regents is responsible for establishing the investment policies; accordingly, the Board of Regents has promulgated these guidelines in which they have established permitted asset classes and ranges.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 4 – System Investments (continued):

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2015 is as follows:

	Cost	Market Value
Mutual funds publicly traded	$567,843	$652,271
Partnerships	60,460	91,163
Endowment cash and cash equivalents	3,462	3,462
Trusts	4,436	5,512
Private commingled funds	42,044	40,433
	$678,245	$792,841

As of June 30, 2015, the System had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in these partnerships of $17,610 as requested by these partnerships. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Combined Statements of Net Position.

Credit risk and interest rate risk

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. For the types of investments that are subject to rating, the System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, the System is not the trustee of these investments and, therefore, it currently has no policies with regard to credit risk for these investments.

The credit risk profile for the System's operating and endowment investments at June 30, 2015 is as follows:

	Fair Value	Not Rated
Mutual funds publicly traded	$652,271	$652,271
Partnerships	91,163	91,163
Endowment cash and cash equivalents	3,462	3,462
Trusts	5,512	5,512
Private commingled funds	40,433	40,433
	$792,841	$792,841

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a shorter duration to maturity tend to be more sensitive to changes in interest rates, and, therefore, more volatile than those with longer investment lives. The System's policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, the System is not the trustee of these investments and, therefore, it currently has no policies with regard to interest rate risk for these investments.

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds and private commingled funds. The segmented time distribution for these investments at June 30, 2015 is as follows:

Less than 1 year	$213,121
1 to 5 year	157,440
5 to 10 year	143,578
	$514,139

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 4 – System Investments (continued):

Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of the custodian, the System may not be able to recover the value of the investments held by the custodian as these investments are uninsured. This risk typically occurs in repurchase agreements where one transfers cash to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. The System does not have a specific policy with regard to custodial credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed income portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2015 there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

Foreign currency risk

Foreign currency risk is the risk of investments losing value due to fluctuations in foreign exchange rates. The System does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, the System has $210,058 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2015.

NOTE 5 – System Endowment Pool:

$237,318 of endowment fund investments at June 30, 2015, are pooled on a unit market value basis. As of June 30, 2015, the endowment pool was comprised of investments in mutual funds (53%), partnerships (36%), private commingled (10%), and cash (1%). Each individual endowment fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2015 was $705.56. The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the year ended June 30, 2015, the endowment spending policy, as approved by the Board of Regents, authorized a distribution maximum of 4.5% of the average unit market value for the previous twenty (20) calendar quarters. Under the provisions of these spending rules, during 2015, $21.01 was distributed to each time-weighted eligible unit for a total spending rule distribution of $8,900. The 2015 distributions were made from investment income of $6,617, and $2,283 from cumulative gains of pooled investments.

The System's policy is to retain the endowment's realized and unrealized appreciation with the endowment after the annual income distribution has been made. Such realized and unrealized appreciation retained in endowment investments was $150,640 at June 30, 2015, is reflected within the restricted expendable for scholarships, research and instruction net position category and is available to meet future spending needs subject to the approval of the Board of Regents.

Effective July 1, 2009 the Board of Regents has suspended distribution on all underwater accounts. At June 30, 2015, there were six accounts underwater.

NOTE 6 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statement of Net Position net of allowances for uncollectible amounts of $34,832 as of June 30, 2015.

Accounts receivable:	
Student tuition and fees	$49,470
Sales and services	6,474
Local and private grants and contracts	21,676
Other	11,109
	88,729
Less: Allowance for doubtful accounts	(34,832)
Net accounts receivable	$53,897

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 7 – System Loans Receivable:

Loans receivable from students bear interest primarily between 3% and 15% per annum and are generally repayable in installments to the various campuses over a five to ten year period commencing nine months from the date of separation from the institution. Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2015. A provision for possible uncollectible amounts is recorded on the basis of the various institutions' estimated future losses for such items. The loans receivable and corresponding allowance for uncollectible loan balances as of June 30, 2015 are as follows:

Loans receivable	$14,554
Less: Allowance for doubtful loans	(1,851)
Net loans receivable	12,703
Less current portion	(1,908)
Noncurrent loans receivable	$10,795

NOTE 8 – System Capital Assets:

System capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 52,612	$ 148,371	$ (28,265)	$ 172,718
Land	83,953	17,188	-	101,141
Collections	12,967	216	(2)	13,181
Total capital assets not being depreciated	149,532	165,775	(28,267)	287,040
Capital assets being depreciated:				
Buildings	2,362,648	30,554	(1,490)	2,391,712
Land improvements	119,488	12,628	(3,147)	128,969
Machinery and equipment	346,789	24,420	(12,340)	358,869
Intangibles	42,851	1,359	(138)	44,072
Library books and media	118,996	2,299	(685)	120,610
Total	2,990,772	71,260	(17,800)	3,044,232
Less accumulated depreciation for:				
Buildings	(757,849)	(58,265)	9	(816,105)
Land improvements	(93,589)	(4,220)	1,325	(96,484)
Machinery and equipment	(250,732)	(25,165)	13,815	(262,082)
Intangibles	(19,526)	(4,195)	264	(23,457)
Library books and media	(112,300)	(3,065)	824	(114,541)
Total accumulated depreciation	(1,233,996)	(94,910)	16,237	(1,312,669)
Total capital assets being depreciated, net	1,756,776	(23,650)	(1,563)	1,731,563
Capital assets, net	$1,906,308	$ 142 125	$(29,830)	$2,018,603

NOTE 9 – System Long-Term Debt:

The long-term debt of the System consists of revenue bonds payable, certificates of participation, capital lease obligations, notes payable and other minor obligations.

The Board of Regents issues revenue bonds to provide funds for the construction and renovation of major capital facilities. In addition, revenue bonds have been issued to refund other revenue bonds. In general, the long-term debt is issued to fund projects that would not be funded through State appropriations, such as dormitories, dining halls and parking garages.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 – System Long-Term Debt (continued):

System long-term debt activity for the year ended June 30, 2015 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2015	$ 32,450	$ 1,595	$ -	$ (1,595)	$ -	$ -
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2016	31,010	1,540	-	(710)	830	830
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2030	170,360	71,735	-	(46,755)	24,980	5,470
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	60,135	54,600	-	(1,200)	53,400	1,250
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	15,850	-	(605)	15,245	620
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	28,860	-	-	28,860	-
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	2,670	-	(630)	2,040	655
Universities Revenue Bonds, Series 2011	3.00% to 5.00%	2025	50,470	41,370	-	(4,200)	37,170	4,290
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	27,375	-	-	27,375	1,410
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	4,465	-	(560)	3,905	565
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2033	40,035	40,035	-	(2,625)	37,410	2,345
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2035	105,300	105,300	-	-	105,300	-
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	49,995	-	-	49,995	825
Universities Revenue Bonds, Series 2015A	3.00% to 5.00%	2036	61,455	-	61,455	-	61,455	-
Universities Revenue Bonds, Series 2015B	2.00% to 3.00%	2027	7,480	-	7,480	-	7,480	-
Certificates of Participation, Series 2006A	4.00% to 5.00%	2026	11,015	2,595	-	(610)	1,985	630
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	-	34,220	-	34,220	795
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	5,370	-	(440)	4,930	470
Discounts				(35)	-	3	(32)	(2)
Premiums				30,073	9,892	(4,228)	35,737	2,614
Total Bonds Payable				483,393	113,047	(64,155)	532,285	22,767
Notes Payable				35,336	100	(12,371)	23,065	3,270
Total				$518,729	$113,147	$(76,526)	$555,350	$26,037

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 9 – System Long-Term Debt (continued):

System notes payable activity is as follows:

	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	$16,713	$ -
Bank of America, UNR Medical Learning Lab	6.12%	10/29/09	07/01/16	9,812	7,531
Bank of America, UNR Medical Practice Mgmt System	1.74%	08/07/13	06/01/17	6,250	3,179
Bank of America, CSN Promissory Note	1.88%	01/03/13	06/01/23	10,000	8,147
JP Morgan Chase, UNR Achievement Center	Variable*	02/26/14	07/01/19	Maximum 12,000	300
JP Morgan Chase, UNR Fitness Center	Variable**	08/14/14	01/01/20	Maximum 16,000	100
Other notes payable	1.60% - 6.30%	Various	Various	Various	3,808
					$23,065

* The variable interest rate is calculated based on 67% of one-month LIBOR plus a spread of 0.96%. The rate is reset daily, and interest only accrues based on the outstanding principal.

** The variable interest rate is calculated based on 72% of one month LIBOR plus a spread of 1.23%. The rate is reset daily, and interest only accrues based on the outstanding principal. Excludes other fees paid to JP Morgan Chase associated with this financing.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 9 – System Long-Term Debt (continued):

The revenue bonds are collateralized by tuition and fees, auxiliary enterprises revenues and certain other revenues as defined in the bond indentures. The Certificates of Participation are secured by any and all available revenues as defined in the bond indentures. There are a number of limitations and restrictions contained in the various bond indentures. The most restrictive covenants of the various bond indentures require the various divisions and campuses of the System to maintain minimum levels of revenues, as defined in the indentures. The System is in compliance with all covenants.

Scheduled maturities of long-term debt for the years ending June 30 are as follows:

	Principal	Interest	Total
2016	$ 26,037	$ 23,967	$ 50,004
2017	33,908	22,881	56,789
2018	24,460	21,811	46,271
2019	24,867	20,849	45,716
2020	26,076	19,823	45,899
2021-2025	124,227	83,004	207,231
2026-2030	111,866	57,092	168,958
2031-2035	109,756	32,047	141,803
2036-2040	53,607	10,231	63,838
2041-2045	20,546	1,819	22,365
Total	$555,350	$293,524	$848,874

NOTE 10 – System Obligations Under Capital Leases:

The System has entered into various non-cancellable lease agreements of land, buildings and improvements, and machinery and equipment expiring at various dates from fiscal year 2016 to 2030.

System obligations under capital leases were as follows for the year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Capital lease obligations	$8,193	$38,980	$(897)	$46,276	$3,228

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2015:

Construction in progress	$ 41,036
Buildings and improvements	1,351
Machinery and equipment	4,497
Total	46,884
Less accumulated depreciation	(2,962)
Total	$ 43,922

Future net minimum rental payments, which are required under the System leases for the years ending June 30, are as follows:

2016	$ 3,318
2017	4,130
2018	3,824
2019	3,520
2020	3,520
2021-2025	17,595
2026-2030	10,793
Total minimum lease payments	46,700
Less amount representing interest	(424)
Obligations under capital leases	$ 46,276

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 10 – System Obligations Under Capital Leases (continued):

Total interest expense under the System capital leases and included in the accompanying combined financial statements was $2,552 during the year ended June 30, 2015. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 11– Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was $5,653 for year ended June 30, 2015.

Future minimum lease payments on noncancellable operating leases for the years ending June 30 are as follows:

2016	$ 5,734
2017	4,281
2018	2,665
2019	2,080
2020	1,583
2021-2025	5,237
Total future minimum obligation	$21,580

NOTE 12– Unemployment Insurance and Workers Compensation:

The System is self-insured for unemployment insurance and workers compensation. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments.

Changes in unemployment and workers compensation for the year ended June 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Unemployment insurance	$1,284	$ 1,501	$ (1,189)	$1,596
Workers compensation	2,903	7,669	(7,669)	2,903
Total	$4,187	$ 9,170	$ (8,858)	$4,499

NOTE 13– System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under federal loans program	$ 8,209	$ 451	$ (455)	$ 8,205	$ -
Compensated absences	47,830	32,953	(30,667)	50,116	32,663
Unearned revenue	45,729	42,904	(46,253)	42,380	40,979
Other non-current liabilities	1,170	-	(441)	729	-
Total	$102,938	$ 76,308	$(77,816)	$101,430	$73,642

NOTE 14– Extinguishment of Debt:

During 2015, $41,420 of debt was considered to be extinguished through the refunding of prior issues by a portion of the current issues. In prior years, NSHE defeased revenue bonds by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in NSHE's financial statements. At June 30, 2015, $157,640 of bonds outstanding are considered defeased.

In prior years, NSHE refinanced or defeased existing bonds for net cash flow savings or economic gain (present value of cash flow savings). For 2015, refinancing activities produced cash flow savings and economic gain of $11,186 and $7,923, respectively.

NOTE 15– Irrevocable Letter of Credit:

In connection with its worker's compensation liability coverage, the System is required to maintain a $200 standby letter of credit. An additional letter of credit was established in April 2004 in connection with the System's self-insured workers' compensation liability; the amount as of June 30, 2015 was $1,798. A letter of credit was established in July 2003 in connection with the SNSC Phase II Lease Revenue Bonds in the amount of $2,100. No advances were made under the letters of credit during the year ended June 30, 2015.

NOTE 16– System Pension Plans:

Substantially all permanent employees of the System are covered by retirement plans. Classified employees are covered by the PERS, a cost-sharing multiple-employer public employee retirement system. Professional employees are covered under PERS or the NSHE Retirement Plan Alternative, a defined contribution retirement plan qualified under Internal Revenue Code Section 401(a).

Under the NSHE Retirement Plan Alternative, the System and participants have the option to make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds.

System employees may elect to participate in the NSHE Supplemental Retirement Plan, a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code, subject to maximum contribution limits established annually by the Internal Revenue Service. The employee contributions are not matched by the System.

The System's contribution to all retirement plans for the year ended June 30, 2015 was approximately $89,610, equal to the required contribution for the year.

General Information about the PERS Cost Sharing Pension Plan

PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system, and was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 16– System Pension Plans (continued):

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015 the Statutory Employer/employee matching rate was 13.25%. The Employer-pay contribution (EPC) rate was 25.75%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the System reported a liability of $292,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. NSHE's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2014. The System's proportionate share is approximately 2.81%.

For the year ended June 30, 2015, NSHE recognized pension expense of $36,697. At June 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 14,013
Net difference between projected and actual earnings on investments	-	61,508
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	8,631
System contributions subsequent to the measurement date	29,901	-
	$ 29,901	$ 84,152

$29,901 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows for the years ended June 30:

2016	$ 19,874
2017	19,874
2018	19,874
2019	19,874
2020	2,740
Thereafter	1,916
	$84,152

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 16– System Pension Plans (continued):

Actuarial Assumptions

The PERS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll Growth	5.00%, including inflation
Investment Rate of Return	8.00%
Productivity pay increase	0.75%
Projected salary increases	4.60% to 9.75%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in the June 30, 2014 funding Actuarial valuation

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males). For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The PERS' policies which determine the investment portfolio target asset allocation are established by the PERS' Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the PERS.

The following was the PERS' Board adopted policy target asset allocation as of June 30, 4014:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

*As of June 30, 2014, PERS' long-term inflation assumption was 3.5%

Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Pension Liability Discount Rate Sensitivity

The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
NSHE's proportional share of the net pension liability	$455,401	$292,841	$157,714

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at www.nvpers.org or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

NOTE 17– System Postemployment Benefits Other than Pensions:

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' year of service, along with the related liability, net of any plan assets.

Public employees who meet the eligibility requirements for retirement and at the time of retirement are participants in the program, have the option upon retirement to continue group insurance including medical, dental, vision, accidental death and dismemberment, travel accident, long-term disability, mental health, substance abuse and life insurance benefits. Nevada Administrative Code 287.530 established this benefit upon the retiree. Monthly contributions are deducted from pension checks. The cost varies depending on which health plan the retiree chooses, as well as the amount of the State subsidy they receive.

The Public Employees Benefits Program administers these benefits as a multiple employer cost sharing plan. The State Retirees' Health and Welfare Benefits Trust Fund has been created to provide benefits to retirees and their beneficiaries. The unfunded actuarial accrued liability for the trust, as of the most recent valuation on July 1, 2014, is $1,427,000. This compares to $1,271,000 on July 1, 2013. This is recorded on the financial statements of the trust and the State as a fiduciary fund, but not on the financial statements of the System.

Complete financial statements for the State Retirees' Health and Welfare Benefits Fund can be obtained from the Accounting Department at the Public Employees Benefit Program, 901 S. Stewart St., Carson City, NV 89701.

The System's contribution for the retired employee group insurance assessment for the year ended June 30, 2015 was approximately $14,254, equal to the required contribution for the year.

NOTE 18 - System Commitments and Contingent Liabilities:

The System is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, System management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially affect the net position, changes in net position or cash flows of the System.

The System has an actuarial study of its workers' compensation losses completed every other year. The study addresses the reserves necessary to pay open claims from prior year and projects the rates needed for the coming year. The System uses a third party administrator to adjust its workers' compensation claims.

The System is self-insured for its unemployment insurance liability. The System is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the System budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2015.

The System receives Federal grants and awards, and amounts are subject to change based on outcomes of Federal audits. Management believes any changes made will not materially affect the net position, changes in net position or cash flows of the System.

The estimated cost to complete property authorized or under construction at June 30, 2015 is $155,989. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents, at its June 12, 2015 meeting, approved the issuance of a Promissory Note in an amount up to $20,900. The authorized note is expected to be issued by the end of calendar year 2015.

NOTE 19– Risk Management:

The System is an entity created by the Constitution of the State of Nevada. The System transfers its tort liabilities (other than Medical Malpractice) to the Tort Claims Fund of the State of Nevada (State). The State purchases an excess liability policy in the amount of $15,000 excess of a $2,000 self-insured retention (SIR).

The System purchases the following commercial insurance:

Coverage for direct physical loss or damage to the System's property with limits of $500,000 per occurrence and a $500 per occurrence deductible with an aggregate deductible of $1,000.

Worker's compensation (foreign and domestic) with statutory limits excess of a $750 SIR.
Crime & Fidelity (employee dishonesty) with limits of $1,250 and a deductible of $100.

Medical malpractice with limits of $1,000 per occurrence and $3,000 aggregate.
Allied health malpractice with limits of $1,000 per occurrence and $3,000 aggregate.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 19– Risk Management (continued):

The System purchases other commercial insurance for incidental exposures where prudent. The amount of claim settlements did not exceed the insurance coverage for any of the past three years. The System is charged an assessment to cover its portion of the State's cost of the Tort Claims fund.

NOTE 20 – Subsequent Events:

The Board of Regents, at its October 23, 2015 meeting, authorized the formation of DRI-Tennessee, a nonprofit organization that will be reported as a component unit of the System once operations commence.

NOTE 21 – Functional Classification of System Expenses:

The following is the functional classifications of expenses as reported on the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015.

Instruction	$ 535,390
Research	104,077
Public service	57,835
Academic support	141,695
Institutional support	170,879
Student services	133,356
Operation and maintenance of plant	118,675
Scholarships and fellowships	94,614
Auxiliary enterprises	85,460
Depreciation	94,910
Total	$1,536,891

NOTE 22 - System Related Organizations:

As described in Note 1, the System Related Organizations columns in the financial statements include the financial data of the System's discretely presented campus foundations and ICS. Due to the condensed nature of this information, the individual line items may not necessarily agree with the financial statements of the System Related Organization, although the totals agree with the financial statements. Condensed combining financial data of the System Related Organizations is as follows:

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NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2015

	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	DRI Foundation	DRI Research Park	TMCC Foundation	WNC Foundation	GBC Foundation
ASSETS								
Current Assets								
Cash and cash equivalents	$ 38,189	$ 1,483	$ 4,829	$ 344	$ 1	$ 1,853	$ 771	$ 1,665
Short-term investments	151,965	6,969	6,464	-	-	-	-	-
Other	9,336	418	11,132	26	-	2,621	34	264
Total Current Assets	199,490	8,870	22,425	370	1	4,474	805	1,929
Noncurrent Assets								
Restricted investments	-	-	-	-	-	-	2,199	-
Endowment investments	39,264	179	-	-	-	489	-	6,030
Capital assets, net	75	54	1,299	486	-	-	-	13
Other noncurrent assets	20,787	-	-	-	-	20	16	669
Total Noncurrent Assets	60,126	233	1,299	486	-	509	2,215	6,712
TOTAL ASSETS	259,616	9,103	23,724	856	1	4,983	3,020	8,641
LIABILITIES								
Current Liabilities								
Due to affiliates	6,396	1,227	7,809	-	-	-	-	20
Current portion of long-term debt	-	-	64	-	-	-	-	-
Other	35	222	7,223	-	3	4,107	-	-
Total Current Liabilities	6,431	1,449	15,096	-	3	4,107	-	20
Noncurrent Liabilities								
Long-term debt	-	-	199	-	-	-	-	-
Other noncurrent liabilities	2,091	-	-	-	114	-	-	-
Total Noncurrent Liabilities	2,091	-	199	-	114	-	-	-
TOTAL LIABILITIES	8,522	1,449	15,295	-	117	4,107	-	20
DEFERRED INFLOWS OF RESOURCES								
Endowment pledge donations, net	3,873	-	-	-	-	-	-	-
Deferred lease revenue	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,873	-	-	-	-	-	-	-
NET POSITION								
Net investment in capital assets	75	54	1,036	486	-	-	-	13
Restricted - Nonexpendable	131,751	2,330	-	-	-	489	-	4,114
Restricted - Expendable	98,986	4,531	-	-	-	-	2,894	3,493
Unrestricted	16,409	739	7,393	370	(116)	387	126	1,001
TOTAL NET POSITION	$ 247,221	$ 7,654	$ 8,429	$ 856	$ (116)	$ 876	$ 3,020	$ 8,621

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2015 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
ASSETS									
Current Assets									
Cash and cash equivalents	$ 7,545	$ 974	$ 532	$ 297	$ 76	$ 6,657	$ 319	$ 601	$ 66,136
Short-term investments	49,207	1,989	5,180	2,041	1,042	-	3,457	311	228,625
Other	19,397	2	108	61	-	956	80	356	44,791
Total Current Assets	76,149	2,965	5,820	2,399	1,118	7,613	3,856	1,268	339,552
Noncurrent Assets									
Restricted investments	42,350	-	-	-	-	-	-	1,010	45,559
Endowment investments	148,378	-	-	-	107	-	2,409	-	196,856
Capital assets, net	467	4,503	-	142	-	-	-	-	7,039
Other noncurrent assets	53,380	916	-	121	-	-	69	963	76,941
Total Noncurrent Assets	244,575	5,419	-	263	107	-	2,478	1,973	326,395
TOTAL ASSETS	320,724	8,384	5,820	2,662	1,225	7,613	6,334	3,241	665,947
LIABILITIES									
Current Liabilities									
Due to affiliates	-	-	-	-	-	-	-	-	15,452
Current portion of long-term debt	-	-	-	-	-	-	-	-	64
Other	2,387	337	67	18	-	1,777	31	1	16,208
Total Current Liabilities	2,387	337	67	18	-	1,777	31	1	31,724
Noncurrent Liabilities									
Long-term debt	-	-	-	-	-	-	-	-	199
Other noncurrent liabilities	2,967	484	41	-	-	-	-	-	5,697
Total Noncurrent Liabilities	2,967	484	41	-	-	-	-	-	5,896
TOTAL LIABILITIES	5,354	821	108	18	-	1,777	31	1	37,620
DEFERRED INFLOWS OF RESOURCES									
Endowment pledge donations, net	7,796	-	-	-	-	-	-	-	11,669
Deferred lease revenue	-	4,119	-	-	-	-	-	-	4,119
TOTAL DEFERRED INFLOWS OF RESOURCES	7,796	4,119	-	-	-	-	-	-	15,788
NET POSITION									
Net investment in capital assets	223	3,855	-	142	-	-	-	-	5,884
Restricted - Nonexpendable	149,236	-	-	-	47	-	2,440	1,028	291,435
Restricted - Expendable	153,094	-	-	14	60	-	2,681	2,008	267,761
Unrestricted	5,021	(411)	5,712	2,488	1,118	5,836	1,182	204	47,459
TOTAL NET POSITION	$ 307,574	$ 3,444	$ 5,712	$ 2,644	$ 1,225	$ 5,836	$ 6,303	$ 3,240	$ 612,539

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000s)
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	DRI Foundation	DRI Research Park	TMCC Foundation	WNC Foundation	GBC Foundation
Operating Revenues								
Patient revenue	$ -	$ -	$ 51,797	$ -	$ -	$ -	$ -	$ -
Contract revenue	-	-	8,686	-	-	-	-	-
Contributions	29,437	111	-	1,580	-	1,821	478	695
Campus support	3,067	-	-	163	65	84	198	97
Other operating revenues	4,202	37	3,486	65	3	169	28	52
Total operating revenues	36,706	148	63,969	1,808	68	2,074	704	844
Operating Expenses								
Program expenses	(25,383)	(648)	(19,331)	-	-	-	(650)	(72)
Depreciation	-	-	(334)	-	-	-	-	-
Other operating expenses	(4,371)	(39)	(23,615)	(1,693)	(65)	(276)	(269)	(611)
Total operating expenses	(29,754)	(687)	(43,280)	(1,693)	(65)	(276)	(919)	(683)
Operating income (loss)	6,952	(539)	20,689	115	3	1,798	(215)	161
Nonoperating Revenues (Expenses)								
Payments to System campuses and divisions	-	-	(27,208)	-	-	(1,837)	-	-
Other nonoperating revenues (expenses)	3,932	299	198	-	-	8	49	313
Total Nonoperating Revenues (Expenses)	3,932	299	(27,010)	-	-	(1,829)	49	313
Income (loss) before other revenue (expenses)	10,884	(240)	(6,321)	115	3	(31)	(166)	474
Other Revenues (Expenses)								
Additions to permanent endowments	12,026	3	-	-	-	-	-	275
Other revenues	-	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	12,026	3	-	-	-	-	-	275
Increase (Decrease) in Net Position	22,910	(237)	(6,321)	115	3	(31)	(166)	749
NET POSITION								
Net position - beginning of year, as previously reported	224,311	7,891	14,750	741	(119)	907	3,186	7,539
Correction of an error, contributions receivable	-	-	-	-	-	-	-	333
Net position - beginning of year, as restated	224,311	7,891	14,750	741	(119)	907	3,186	7,872
Net position - end of year	$ 247,221	$ 7,654	$ 8,429	$ 856	$ (116)	$ 876	$ 3,020	$ 8,621

NOTES TO THE FINANCIAL STATEMENTS (in $1,000s)

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
Operating Revenues									
Patient revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,797
Contract revenue	-	-	-	-	-	-	-	-	8,686
Contributions	35,912	104	105	618	1	-	583	1,358	72,803
Campus support	3,210	-	-	-	-	-	-	-	6,884
Other operating revenues	950	18	88	381	112	3,673	93	5	13,362
Total operating revenues	40,072	122	193	999	113	3,673	676	1,363	153,532
Operating Expenses									
Program expenses	-	-	(409)	(667)	(85)	-	-	(609)	(47,854)
Depreciation	(51)	(126)	-	(44)	-	(110)	-	-	(665)
Other operating expenses	(6,346)	(426)	(65)	(431)	(8)	(3,120)	(873)	(255)	(42,463)
Total operating expenses	(6,397)	(552)	(474)	(1,142)	(93)	(3,230)	(873)	(864)	(90,982)
Operating income (loss)	33,675	(430)	(281)	(143)	20	443	(197)	499	62,550
Nonoperating Revenues (Expenses)									
Payments to System campuses and divisions	(22,234)	-	-	-	-	-	(599)	-	(51,878)
Other nonoperating revenues (expenses)	858	(50)	257	118	29	-	34	-	6,045
Total Nonoperating Revenues (Expenses)	(21,376)	(50)	257	118	29	-	(565)	-	(45,833)
Income (loss) before other revenue (expenses)	12,299	(480)	(24)	(25)	49	443	(762)	499	16,717
Other Revenues (Expenses)									
Additions to permanent endowments	16,914	-	-	-	-	-	15	409	29,642
Other revenues	-	101	-	-	-	(434)	-	-	(333)
Total Other Revenues (Expenses)	16,914	101	-	-	-	(434)	15	409	29,309
Increase (Decrease) in Net Position	29,213	(379)	(24)	(25)	49	9	(747)	908	46,026
NET POSITION									
Net position - beginning of year, as previously reported	278,361	3,823	5,736	2,669	1,176	5,827	7,050	2,332	566,180
Correction of an error, contributions receivable	-	-	-	-	-	-	-	-	333
Net position - beginning of year, as restated	278,361	3,823	5,736	2,669	1,176	5,827	7,050	2,332	566,513
Net position - end of year	$ 307,574	$ 3,444	$ 5,712	$ 2,644	$ 1,225	$ 5,836	$ 6,303	$ 3,240	$ 612,539

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 22 - System Related Organizations (continued):

UNR Foundation:

Cash and cash equivalents at June 30, 2015, consists of:

Cash	$ 3,561
Money market funds	550
Commingled funds	33,828
Certificates of deposit	250
	$38,189

The fair value of investments at June 30, 2015, are as follows:

Equity Investments	$ 768
Commingled funds	164,005
Certificates of deposit	6,814
U.S. Government Securities	19,642
	$191,229

At June 30, 2015, the Foundation investments had the following maturities:

		Investment Maturities (in Year)		
	Fair Value	Less than 1	1 – 5	6 – 10
Equity investments	$ 768	$ 768	$ -	$ -
Commingled funds	164,005	129,364	26,453	8,188
Certificates of deposit	6,814	2,598	4,216	-
U.S. Government securities	19,642	19,234	408	-
	$191,229	$151,964	$31,077	$8,188

The Foundation's investment policy for cash and cash equivalents is to exercise sufficient due diligence to minimize investing cash and cash equivalents in instruments that will lack liquidity. The Foundation, through its Investment Managers considers the operating funds to be two discrete pools of funds: a short-term pool and an intermediate-term pool. The short-term pool shall be funded in an amount sufficient to meet the expected daily cash requirements of the Foundation. The goals of the investments are to maintain the principal in the account while maximizing the return on the investments. The short-term pool is staggered in 30, 60, and 90 day investments. Appropriate types of investments are money market funds, certificates of deposit, commercial paper, U.S. Treasury bills and notes, mortgage backed securities (U.S. Government) and internal loans to the University of Nevada, Reno secured by a promissory note with an appropriate interest rate. The intermediate-term pool is invested in fixed income securities generally having an average maturity of three year or less in order to take advantage of higher yields.

It is the policy of the investment program to invest according to an asset allocation strategy that is designed to meet the goals of the Endowment Investment Objective. The strategy will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments;
- Historical and expected long-term capital market risk and return behaviors;
- The relationship between current and projected assets of the Endowment and its spending requirements.

This policy provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Endowment consistent with market conditions. Asset allocation modeling identifies asset classes the Endowment will use and the percentage each class represents in the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur.

NOTE 22 - System Related Organizations (continued):

Investment Risk Factors

There are many factors that can affect the value of investments. Some factors, such as credit risk and concentrations of credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates. The Investment Committee of the Foundation has policies regarding acceptable levels of risk. The committee meets quarterly to review the investments and has policies regarding acceptable levels of risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The Foundation restricts investment of cash and cash equivalents and investments to financial institutions with high credit standing, and the Foundation currently purchases certificates of deposit of less than $250 per bank or institution. Commercial paper is limited to a maximum of 10% of the total cash and cash equivalents available. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents and investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. None of the investments held by the Foundation are rated by a nationally recognized statistical rating organization.

Fixed income securities to obligations of the U.S. Government are not considered to have credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits the maturities of U.S. Treasury instruments and certificates of deposit to no more than 90 days unless the rate justifies the return and the current liquidity requirements are met.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Foreign investments are managed by the Investment Manager, and the Foundation has policies in place to address foreign currency risk.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be returned to the Foundation. All cash deposits are primarily on deposit with two financial institutions and several investment companies. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2015, the Foundation's bank balances totaled $37,910. Of this balance, $619 was covered by depository insurance and/or collateralized and $33,691 is held by State Street Government Securities and subject to their investment policies. The remaining $3,599 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2015.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments consist primarily of comingled funds. Debt and equity securities other than open-end mutual funds are uncollateralized.

Commitments

As of June 30, 2015, the Foundation has committed to acquire approximately $14,200 in commingled funds.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 22 - System Related Organizations (continued):

UNLV Foundation:

The UNLV Foundation discloses its deposits with financial institutions, investments, and reverse repurchase agreements in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3.*

Investment income consists of the following at June 30 2015:

Interest and dividends	$ 2,870
Realized gains, net	8,984
Unrealized (losses) gains, net	(9,547)
	$ 2,307

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of $857,999 for the year ended June 30, 2015, was netted against interest and dividends on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position. Investments are recorded on the date of the trade.

Investments include the following at June 30, 2015:

Mutual funds	$ 27,717
Certificates of deposit	2,047
Equities	12,576
Collateralized securities	22,071
U.S. government obligations	28,506
U.S. corporate bonds	30,820
Alternative investments	108,115
Non-U.S. corporate bonds	8,083
Total marketable securities at fair value	$239,935

As of June 30, 2015, the UNLV Foundation is committed to acquire approximately $100 in additional alternative investments in future periods related to the UNLV Foundation's investment in Special Situation Partners.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2015, the total balance for the UNLV Foundations cash and money market funds was $7,545. Of this balance, $740 was covered by the Federal Deposit Insurance Corporation, and $6,805 was uninsured.

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The UNLV Foundation reduces its exposure to credit risk with policy guidelines that instruct money managers to purchase securities rated investment grade or better. However, up to 25% of the fixed-income portfolios may be allocated to below investment grade. The credit ratings of fixed income investments at June 30, 2015 follow:

	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	$ 22,071	$ 19,524	$ 1,063	$ 782	$ 702	$ -
U.S. corporate bonds	30,820	300	783	7,013	14,865	7,859
Non-U.S. corporate bonds	8,083	1,224	477	2,465	3,722	195

Fixed income securities or obligations of the U.S. government are not considered to have credit risk.

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)

NOTE 22 - System Related Organizations (continued):

In accordance with GASB Statement No. 40, U.S. government obligations, mortgage-backed securities, cash, and money market funds backed by the full faith and credit of the federal government are not included in the above table. Alternative investments are not rated by industry rating agencies.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The UNLV Foundation's policy guidelines on maturity parameters state that the fixed-income portfolio's average weighted duration is to remain within 20% of the benchmark duration.

For investments in donor-restricted endowment funds, the UNLV Foundation uses the Barclays Aggregate Bond Index average as the benchmark; maturity as of June 30, 2015, was 7.33 years. The fixed-income portfolio's average maturity was 8.47 years. Interest rates range from 2.35% to 3.11%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2015, was 7.9 years. The fixed income-portfolio's average maturity was 7.8 years. Interest rates range from 0% to 10.75%.

	Maturity Under 1 Year	Maturity 1 – 5 Years	Maturity 5 – 10 Years	Maturity Over 10 Years	Total
Mutual funds	$ 24,568	$ 3,149	$ -	$ -	$ 27,717
Certificates of deposit	401	1,646	-	-	2,047
Collateralized securities	82	7,306	1,448	13,235	22,071
U.S. government obligations	21,995	3,350	-	3,161	28,506
U.S. corporate bonds	1,617	17,226	7,085	4,892	30,820
Non-U.S. corporate bonds	544	4,703	1,431	1,405	8,083
Investment in securities at fair value	$ 49,207	$ 37,380	$ 9,964	$ 22,693	$ 119,244

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All non-U.S. corporate bonds are traded in U.S. dollars. The UNLV Foundation investment managers have policies that address foreign currency risk.

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REQUIRED SUPPLEMENTARY INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (in $1,000's)
Public Employees' Retirement System of Nevada
Last 10 Fiscal Years*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
System's proportion of the net pension liability	2.81%	(Historical information prior to the implementation of GASB 67/68 is not required)								
System's proportionate share of the net pension liability	$ 292,841									
System's covered-employee payroll	$ 162,250									
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.49%									
PERS fiduciary net position as a percentage of the total pension liability	322.16%									

* The amounts reported for each fiscal year were determined as of June 30 of the prior fiscal year.

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF SYSTEM CONTRIBUTIONS (in $1,000's)
Public Employees' Retirement System of Nevada
Last 10 Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 29,901	(Historical information prior to the implementation of GASB 67/68 is not required)								
Contributions in relation to the contractually required contribution	$ (29,901)									
Contribution deficiency (excess)	$ -									
System's covered-employee payroll	165,653									
Contributions as a percentage of covered-employee payroll	18.05%									

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SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF NET POSITION (in $1,000's)
AS OF JUNE 30, 2015

	UNR	System Admin	DRI	TMCC
ASSETS				
Current Assets				
Cash and cash equivalents	$ 5,777	$ 97,486	$ 6,291	$ 7,528
Restricted cash and cash equivalents	-	-	138	-
Short-term investments	115,979	30,243	24,453	24,034
Accounts receivable, net	32,579	193	2,740	2,587
Receivable from U.S. Government	17,733	2,130	2,662	3,229
Receivable from State of Nevada	826	-	306	30
Current portion of loans receivable, net	1,382	103	-	47
Due from related institutions	15	2,066	-	-
Inventories	4,116	90	-	13
Deposits and prepaid expenditures, current	435	405	263	86
Other	1,143	-	-	-
Total Current Assets	179,985	132,716	36,853	37,554
Noncurrent Assets				
Cash held by State Treasurer	317	400	-	-
Restricted cash and cash equivalents	75,808	-	-	-
Endowment investments	129,806	11,637	30,239	11,666
Deposits and prepaid expenditures	23	-	-	-
Loans receivable, net	6,202	1,448	-	70
Capital assets, net	727,370	23,479	69,967	58,323
Pledges receivable	6,434	-	-	-
Other noncurrent assets	-	189	-	-
Total Noncurrent Assets	945,960	37,153	100,206	70,059
TOTAL ASSETS	1,125,945	169,869	137,059	107,613
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	10,780	1,230	931	2,042
Loss on bond refunding	5,399	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,179	1,230	931	2,042
LIABILITIES				
Current Liabilities				
Accounts payable	21,616	3,599	869	1,765
Accrued payroll and related liabilities	25,115	1,826	2,258	3,471
Unemployment insurance and workers compensation	1,844	34	92	210
Due to State of Nevada	928	-	-	-
Due to related institutions	1,568	3,438	129	200
Current portion of compensated absences	11,710	1,462	3,297	1,228
Current portion of long-term debt	10,879	-	754	207
Current portion of obligations under capital leases	84	-	586	-
Accrued interest payable	6,827	-	62	101
Unearned revenue	11,863	81	2,215	783
Funds held in trust for others	2,525	-	344	122
Other	21	-	-	-
Total Current Liabilities	94,980	10,440	10,606	8,087
Noncurrent Liabilities				
Refundable advances under federal loan programs	4,846	-	-	195
Compensated absences	7,700	318	653	368
Long-term debt	309,682	-	6,052	4,837
Obligations under capital leases	1,187	-	895	-
Due to State of Nevada	1,038	-	-	-
Unearned revenue	-	-	-	-
Net pension liability	102,670	9,783	10,678	17,176
Other noncurrent liabilities	-	-	-	-
Total Noncurrent Liabilities	427,123	10,101	18,278	22,576
TOTAL LIABILITIES	522,103	20,541	28,884	30,663
DEFERRED INFLOWS OF RESOURCES				
Pension related	29,243	2,845	2,771	4,907
Gain on bond refunding	130	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	29,373	2,845	2,771	4,907
NET POSITION				
Net investment in capital assets	486,187	20,154	62,210	53,279
Restricted - Nonexpendable	38,873	7,283	20,783	5,436
Restricted - Expendable - Scholarships, research and instruction	75,395	6,205	13,631	5,213
Restricted - Expendable - Loans	5,378	1,531	-	42
Restricted - Expendable - Capital projects	32,688	355	541	11,921
Restricted - Expendable - Debt service	9,477	-	-	170
Unrestricted	(57,350)	112,185	9,170	(1,976)
TOTAL NET POSITION	$ 590,648	$ 147,713	$ 106,335	$ 74,085

WNC	GBC	UNLV	CSN	NSC	Eliminations	TOTAL
$ 2,525	$ 1,632	$ 80,338	$ 9,647	$ 2,586	$ -	$ 213,810
-	-	-	-	-	-	138
5,999	6,298	284,654	49,143	9,208	-	550,011
1,108	741	3,739	5,418	4,792	-	53,897
219	738	12,015	1,486	233	-	40,445
53	99	1,108	35	17	-	2,474
5	12	359	-	-	-	1,908
-	-	3,348	-	75	(5,504)	-
-	-	2,107	410	-	-	6,736
-	-	5,200	1,074	135	-	7,598
-	66	-	-	-	-	1,209
9,909	9,586	392,868	67,213	17,046	(5,504)	878,226
-	-	2,410	-	-	-	3,127
-	-	56,733	3,320	-	-	135,861
250	239	53,180	5,813	-	-	242,830
-	-	-	58	-	-	81
1	-	3,074	-	-	-	10,795
31,750	38,067	799,762	201,864	68,021	-	2,018,603
-	-	-	-	-	-	6,434
-	-	-	-	-	-	189
32,001	38,306	915,159	211,055	68,021	-	2,417,920
41,910	47,892	1,308,027	278,268	85,067	(5,504)	3,296,146
901	773	8,620	4,256	368	-	29,901
-	-	5,308	-	-	-	10,707
901	773	13,928	4,256	368	-	40,608
353	225	20,771	3,561	4,870	-	57,629
963	1,110	29,675	9,289	1,577	-	75,284
93	190	1,481	489	66	-	4,499
-	-	1,957	-	-	-	2,885
81	79	9	-	-	(5,504)	-
564	407	10,729	2,530	736	-	32,663
-	150	13,094	953	-	-	26,037
-	-	125	-	2,433	-	3,228
-	3	4,131	13	-	-	11,137
-	300	19,657	4,987	1,093	-	40,979
183	38	3,238	434	24	-	6,908
-	-	-	52	-	-	73
2,237	2,502	104,867	22,308	10,799	(5,504)	261,322
-	-	3,164	-	-	-	8,205
141	234	6,136	1,469	434	-	17,453
-	872	200,676	7,194	-	-	529,313
-	-	-	-	40,966	-	43,048
-	-	2,196	-	-	-	3,234
-	-	1,401	-	-	-	1,401
8,137	6,870	91,668	42,133	3,726	-	292,841
-	-	729	-	-	-	729
8,278	7,976	305,970	50,796	45,126	-	896,224
10,515	10,478	410,837	73,104	55,925	(5,504)	1,157,546
2,210	1,918	26,726	12,331	1,201	-	84,152
-	-	-	-	-	-	130
2,210	1,918	26,726	12,331	1,201	-	84,282
31,750	37,044	591,174	201,864	24,246	-	1,507,908
250	239	12,045	2,442	-	-	87,351
222	488	45,127	7,186	1,104	-	154,571
-	34	1,203	-	-	-	8,188
-	432	48,033	3,320	4,413	-	101,703
-	(3)	11,107	-	960	-	21,711
(2,136)	(1,965)	175,703	(17,723)	(2,414)	-	213,494
$ 30,086	$ 36,269	$ 884,392	$ 197,089	$ 28,309	$ -	$ 2,094,926

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2015

	UNR	System Admin	DRI	TMCC
Operating Revenues				
Student tuition and fees (net of scholarship allowance of $133,481)	$ 117,904	$ -	$ -	$ 15,542
Federal grants and contracts	84,771	1,522	16,615	6,814
State grants and contracts	15,101	438	1,588	974
Local grants and contracts	24,915	-	355	-
Other grants and contracts	12,213	76	1,702	674
Campus support	-	-	-	-
Sales and services of educational departments (including $27,208 from System Related Organizations)	59,325	2,979	-	938
Sales and services of auxiliary enterprises (net of scholarship allowance of $5,219)	34,950	-	-	1,208
Interest earned on loans receivable	164	-	-	3
Other operating revenues	3,729	9,423	13,856	303
Total Operating Revenues	353,072	14,438	34,116	26,456
Operating Expenses				
Employee compensation and benefits	(358,213)	(16,941)	(30,748)	(47,521)
Utilities	(11,752)	(1,804)	(953)	(991)
Supplies and services	(139,380)	(22,449)	(8,443)	(10,084)
Scholarships and fellowships	(11,456)	(799)	-	(8,875)
Depreciation	(31,510)	(4,202)	(5,109)	(3,099)
Other operating expenses	-	-	-	-
Total Operating Expenses	(552,311)	(46,195)	(45,253)	(70,570)
Operating Income (Loss)	(199,239)	(31,757)	(11,137)	(44,114)
Nonoperating Revenues (Expenses)				
State appropriations	145,853	23,160	7,603	29,950
Transfers to/from System Administration	3,317	(17,395)	959	1,055
Gifts (including $41,169 from System Related Organizations)	27,446	-	709	299
Investment income, net	1,012	(15)	183	125
Gain (loss) on disposal of capital assets	(38)	(78)	(105)	(86)
Interest expense	(13,861)	(50)	(509)	(148)
Other nonoperating revenues (expenses)	7,420	-	-	(122)
Federal grants and contracts	19,521	-	-	11,285
Total Nonoperating Revenues (Expenses)	190,670	5,622	8,840	42,358
Income (Loss) Before Other Revenue (Expenses)	(8,569)	(26,135)	(2,297)	(1,756)
Other Revenues (Expenses)				
State appropriations (returns) restricted for capital purposes	41	-	-	-
Capital grants and gifts (including $5,274 from System Related Organizations)	26,770	-	702	833
Additions to permanent endowments (including $211 from System Related Organizations)	254	84	24	161
Total Other Revenues (Expenses)	27,065	84	726	994
Increase (Decrease) in Net Position	18,496	(26,051)	(1,571)	(762)
NET POSITION				
Net position - beginning of year, as previously reported	691,329	185,035	120,201	94,584
Change in Accounting Principle, GASB 68 adjustments	(119,177)	(11,271)	(12,295)	(19,737)
Net position - beginning of year, as restated	572,152	173,764	107,906	74,847
Net position - end of year	$ 590,648	$ 147,713	$ 106,335	$ 74,085

WNC	GBC	UNLV	CSN	NSC	Eliminations	TOTAL
$ 3,636	$ 4,895	$ 175,760	$ 44,516	$ 8,633	$ -	$ 370,886
2,406	2,264	44,382	5,123	1,130	(8,428)	156,599
753	197	13,474	2,352	485	(87)	35,275
244	-	570	-	10	-	26,094
-	612	2,315	-	77	-	17,669
10	-	-	-	-	-	10
111	444	25,175	1,795	24	-	90,791
1,002	591	56,260	1,996	95	-	96,102
-	-	91	-	-	-	258
490	251	7,775	690	176	-	36,693
8,652	9,254	325,802	56,472	10,630	(8,515)	830,377
(18,245)	(17,141)	(352,443)	(115,048)	(18,751)	-	(975,051)
(542)	(737)	(13,409)	(3,464)	(429)	-	(34,081)
(6,783)	(3,699)	(109,780)	(43,201)	(7,417)	8,515	(342,721)
(4,356)	(2,534)	(26,805)	(32,597)	(2,593)	-	(90,015)
(1,350)	(1,845)	(35,338)	(11,444)	(1,013)	-	(94,910)
(113)	-	-	-	-	-	(113)
(31,389)	(25,956)	(537,775)	(205,754)	(30,203)	8,515	(1,536,891)
(22,737)	(16,702)	(211,973)	(149,282)	(19,573)	-	(706,514)
13,446	12,507	155,477	86,454	12,478	-	486,928
748	422	7,340	1,799	1,755	-	-
580	590	21,658	493	254	-	52,029
77	41	1,666	190	7	-	3,286
(5)	-	(970)	(46)	-	-	(1,328)
-	(17)	(7,342)	(67)	(2,433)	-	(24,427)
(4)	(912)	(66)	-	-	-	6,316
6,357	2,492	36,073	49,242	5,211	-	130,181
21,199	15,123	213,836	138,065	17,272	-	652,985
(1,538)	(1,579)	1,863	(11,217)	(2,301)	-	(53,529)
-	-	-	-	-	-	41
-	-	57,400	86	355	-	86,146
-	-	-	26	-	-	549
-	-	57,400	112	355	-	86,736
(1,538)	(1,579)	59,263	(11,105)	(1,946)	-	33,207
40,894	45,739	932,327	257,192	34,715	-	2,402,016
(9,270)	(7,891)	(107,198)	(48,998)	(4,460)	-	(340,297)
31,624	37,848	825,129	208,194	30,255	-	2,061,719
$ 30,086	$ 36,269	$ 884,392	$ 197,089	$ 28,309	$ -	$2,094,926

APPENDIX B

State Financial, Economic And Demographic Information

This appendix contains general information concerning the financial, economic and demographic conditions in the State. In addition, certain economic information regarding Washoe County, where UNR is located, and Clark County, where UNLV is located, has also been included. This information is provided so that prospective investors will be aware of factors which have affected development and growth within the State in the past. The information was obtained from the sources indicated and is limited to the time periods indicated. The System makes no representation as to the accuracy or completeness of the data obtained from sources other than the System. Except as indicated, the information is historic in nature; it is not possible to predict whether the trends shown will continue in the future.

The State has not participated in the preparation of this Official Statement, nor has it reviewed its contents. Information *about the State included in this Official Statement has been obtained through its website and other public documents.*

General

Nevada is called the "Silver State" because of the vast quantities of silver mined from the Comstock Lode in the 19th Century. Nevada is one of the eight mountain states, bordered by California, Oregon, Idaho, Utah, and Arizona. The State lies in the Great Basin, an arid region east of the Sierra Nevada Mountains, where annual rainfall averages less than ten inches. Nevada's topography consists of a series of parallel north-south valleys separated by high mountain ranges. The State's land area equals 110,000 square miles, of which almost 85% is under federal ownership or management.

Certain Financial Information - State General Fund

Annual Reports. The State Controller prepares comprehensive annual financial reports setting forth the financial condition of the State as of June 30 of each fiscal year. The comprehensive annual financial report is the official financial report of the State and is prepared following GAAP. The most recent State comprehensive annual financial report is as of June 30, 2013. Copies of the State's comprehensive annual financial reports (including the State's audited basic financial statements) are available at the State Controller's website at www.controller.nv.gov.

Budget Procedure. The State is constitutionally required to maintain a balanced budget. The Nevada Constitution also requires an affirmative vote of not less than two-thirds of the members of both houses of the State Legislature to pass a measure which (a) creates, generates or increases any public revenue in any form, including, but not limited to, taxes, fees, assessments and rates or (b) makes changes in the computation bases for taxes, fees, assessments and rates.

On or before July 1 of each even-numbered year, the Governor must impanel an economic forum (the "Economic Forum") comprising three members appointed by the Governor, one member nominated by the majority leader of the Senate, and one member nominated by the speaker of the Assembly. The Economic Forum updates projections for state revenue collections (for unrestricted uses) for the final year of the biennium in which it is impaneled and establishes revenue forecasts for the next biennium. State law requires the written report of the Economic Forum's forecasts of future State General Fund revenue that currently must be made on or before December 3 of each even-numbered year and May 1 of each odd-numbered year. State law also requires the Economic Forum to hold additional meetings, on or before June 10 of each even-numbered year and December 10 of each odd-numbered year. At each of these meetings, the Economic Forum receives an update on the status of actual State General Fund revenue collections compared to the Economic Forum's most recent forecast. The Economic Forum also considers information on current economic indicators such as employment, unemployment, personal income and any other indicators deemed appropriate by the Economic Forum. The chair of the Economic Forum is required to provide a report of each meeting to the Interim Finance Committee and the information presented to the Interim Finance Committee must be made available on the website of the State Legislature. A seven-member Technical Advisory Committee (the "TAC") advises the Economic Forum as requested. The most recent Economic Forecast was released on May 1, 2015 and was updated in November 2013 to reflect legislatively approved adjustments. The Economic Forecast provides revised revenue estimates for fiscal year 2015 as well as for the following two years.

State statutes require all State Executive Branch agencies and departments to submit their two-year budgets to the Budget Division by the September 1 prior to the biennial meeting of the State Legislature. The Budget Division holds hearings in October on the submitted budgets and the Governor reviews the proposals in November. In mid-January, the two-year budget is finalized and submitted to the State Legislature at least fourteen days before the start of each biennial regular session. The Judicial and Legislative Branch agencies, as well as PERS, submit their two-year budgets directly to the State Legislature.

The State Legislature holds hearings and approves or modifies the two-year budget. The budget is enacted through a General Appropriations Act, which authorizes expenditures from unrestricted revenues, and an Authorized Expenditures Act, which authorizes expenditures from revenues collected for a specific purpose. The General Appropriations Act must be balanced to the May Economic Forum forecast of General Fund revenues. The budget may be modified by other appropriations acts enacted by the State Legislature. The Interim Finance Committee is authorized to modify budgets to fund necessary expenditures between the legislative sessions in amounts determined by statute or as approved by the State Legislature.

The budget prepared by the Governor must provide for a reserve of not less than 5% of all proposed General Fund operating appropriations and authorizations. The State Controller is also required to deposit a portion of the unrestricted balance of the State General Fund to a reserve for the stabilization of the operation of the State. See "The Account to Stabilize the Operation of State Government" below.

<u>The Account to Stabilize the Operation of State Government</u>. Effective beginning in fiscal year to 2011, the Fund to Stabilize the Operation of State Government became an

account within the State's General Fund and is now referred to as the Account to Stabilize the Operation of State Government.

The State Controller is required to deposit a portion of the unrestricted balance of the State General Fund to a reserve fund for the stabilization of the operation of the State (the "Stabilization Account" which is sometimes referred to as the "rainy day fund") established under State law (NRS 353.288). Money from the Stabilization Account may be appropriated only if (i) total actual revenue of the State falls short by 5% or more of the total anticipated revenue for the biennium in which the transfer will be made, as determined by the Legislature, or by the Interim Finance Committee if the State Legislature is not in session, or (ii) the Legislature, or the Interim Finance Committee if the Legislature is not in session, and the Governor declare that a fiscal emergency exists. In addition, the money in the Stabilization Account may be allocated directly by the Legislature to be used for any other purpose.

Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance, budgetary basis, exceeds 7% of the General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency.

The 2009 Legislature passed legislation requiring the State Controller to transfer 1% of the total anticipated revenue projected for that fiscal year by the Economic Forum in May of odd-numbered years, as adjusted by any legislation enacted by the State Legislature that affects State revenue for that fiscal year, to the Stabilization Account at the beginning of each fiscal year. This transfer was scheduled to commence with the fiscal year beginning July 1, 2011. Due to the economic downturn, this transfer was deferred by the 2011, 2013 and 2015 Regular Sessions of the State Legislature and is now scheduled to commence with the fiscal year that begins on July 1, 2017.

The maximum balance allowed in the Stabilization Account is 20% of the total of all appropriations from the State General Fund for the operation of all departments, institutions and agencies of the State Government and for the funding of schools and authorized expenditures from the State General Fund for the regulation of gaming for the fiscal year in which that revenue will be transferred to the Stabilization Account.

As of June 30, 2013, the Stabilization Account balance was $84,737,276. The 2013 Legislature authorized the transfer of the entire balance to the General Fund to provide for the operations of the State. The fiscal year year-end reconciliation of the unrestricted General Fund balance triggered an addition to the Stabilization Account in the amount of $28,061,106 in fiscal year 2015.

To make up for a significant budget shortfall during the 2013-2015 biennium created in part by the underperformance in the collection of net proceeds of minerals and gaming taxes and a larger than projected increase in K-12 student enrollment, the 2015 Legislature authorized the transfer of the remaining $28,061,106 from the Stabilization Account to the General Fund for the operations of the State. As of June 30, 2015, the Stabilization Account balance was $0.

General Fund. The purpose of the State General Fund is to finance the ordinary operations of the State and to finance those operations not provided for in other funds. Included are all transactions pertaining to the approved current operating budget, its accompanying revenue, expenditures and encumbrances, and its related asset, liability, and fund equity accounts. The State has numerous other funds, including Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds. Moneys on deposit in the Special Revenue Funds are used primarily to fund highway projects, Bond Bank Program transactions, and some of the activities of the State's regulatory agencies. Money on deposit in the Enterprise Funds is used primarily to fund housing projects, the Water Pollution Control Revolving Fund, the Safe Drinking Water Revolving Fund, the prepaid college tuition program and unemployment compensation.

The General Fund tables which follow have been obtained from the sources listed below. *They reflect General Fund revenues, appropriations, and General Fund projections from the sources listed below on a budgetary basis.* The data depicting General Fund unappropriated balances reflect revenue collections and State agency expenditure information, Economic Forum forecasts with legislative adjustments, and Department of Administration revisions or projections. They are not presented in accordance with GAAP.

As used by the State, the term "General Fund unappropriated balance" represents unobligated and unencumbered funds available for appropriation by the State Legislature. Unspent appropriated moneys are not reflected as part of General Fund unappropriated balance until, there being no further obligations against the appropriation, the unexpended portion is returned to the General Fund as a reversion. Reversions are reflected as income contributed to the unappropriated balances. Reversions may not take place for several years after their appropriation, although usually they occur after the appropriated amounts are available for one year. At no time are outstanding appropriations included in General Fund unappropriated balances. This format is standard procedure for both the State Budget Division and the State Legislature.

State General Fund Revenue Sources. The State relies upon sales and use taxes, gaming taxes, business payroll and commerce taxes, insurance premium taxes, live entertainment taxes, cigarette taxes and real property transfer taxes for the bulk of its General Fund revenues. The State is constitutionally prohibited from having a personal income tax. Other taxes common in many states but not levied in Nevada are franchise, corporate income, special intangible, capital stock, chain store, inventory, stock transfer, and gift taxes.

Portions of the operating budgets for the various local taxing units in Nevada are funded with ad valorem taxes. Provisions for debt service payable with ad valorem taxes are made prior to determining operating budgets. Total ad valorem taxes levied by all overlapping units within the boundaries of any county (*i.e.*, the State, and any county, city, town, school district, or special district) may not exceed the statutory limitation of $3.64 per $100 of assessed valuation of property being taxed (subject to the exception for $0.02 of the state-wide property tax rate per $100 of assessed valuation that need not be counted against the $3.64 statutory cap). In the case of severe financial emergency in a particular local government as determined by the State Department of Taxation and the State Tax Commission, the State Tax Commission may order the levy of a combined overlapping tax rate of not more than $5.00 per $100 of assessed valuation.

Certain revenue enhancements enacted during the 2009 Regular and the 2010 Special Sessions of the State Legislature increased collections in fiscal year 2010 and fiscal year 2011, but were scheduled to sunset on June 30, 2011. However, some of the enhancements were extended by the 2011 and 2013 Regular Sessions of the State Legislature and several of the enhancements were made permanent by the 2013 Regular Session of the State Legislature.

The following taxes provide the State's General Fund with its major sources of income. See the table entitled "State General Fund Revenues" below for a history of the various general fund revenues described below.

Sales and Use Taxes. The State receives a 2% sales tax on all taxable sales and taxable items of use. Certain sales are exempt from State sales taxation, including but not limited to, domestic fuel, prescription drugs, food for home consumption and aircraft and major components thereof, based in Nevada. See "Sales and Use Tax" below. Current State law provides for a collection allowance provided to a taxpayer for collecting and remitting sales and use taxes of 0.25%, as well as a General Fund commission retained by the Department of Taxation for collecting and distributing the sales and use taxes generated by local option taxes of 1.75%.

Gaming Taxes. Nevada's gaming establishments are subject to several different taxes at the State level. The most important among these is the monthly gaming percentage fee, which accounts for the majority of gaming tax revenues. Other taxes and fees levied by the State on gaming include license renewals and quarterly and annual license fees based upon the number of slot machines and operational table games, investigative fees, race wire fees, penalties, and interest. See "Gaming and Tourism" below.

Modified Business Tax. The State levies a tax, known as the modified business tax, against applicable payrolls, less a deduction for employee healthcare expenses, for the privilege of conducting business in Nevada. The modified business tax is a tax levied against applicable business payrolls less a deduction for employee healthcare expenses. The rate varies depending on how a business is classified. The tax rate for financial institutions is 2% with the 2015 Regular Session of the State Legislature adding businesses subject to the net proceeds of minerals tax to the entities required to pay the 2.0% tax effective July 1, 2015. The rate for non-financial has varied over time and as of June 30, 2009 was 0.63%. The 2009 Legislature raised the tax rate for non-financial institutions to 1.17% for payroll amounts over $250,000, effective July 1, 2009. The tax rate on payroll amounts below $250,000 was lowered to 0.5%. This revenue enhancement was scheduled to expire on June 30, 2011; however, the 2011 Legislature extended the 1.17% tax rate for payrolls over $250,000 while eliminating the tax on payroll amounts up to that amount. The 2013 Legislature increased the amount exempted from the payroll tax to $340,000, and extended the 1.17% tax rate for payrolls in excess of $340,000. The rate currently is scheduled to revert to 0.63% on all payroll amounts on July 1, 2015. The 2015 Legislature made permanent changes to the modified business tax for non-financial businesses, lowering the amount exempted from the payroll tax to $200,000 and increasing the tax rate to 1.475% on taxable wages that exceed $200,000, effective July 1, 2015.

Commerce Tax. The 2015 Legislature enacted a levy on the gross revenue of a business which is earned in the State of Nevada effective July 1, 2015. The first $4,000,000 per year in gross revenues earned in the State of Nevada is exempt from the tax which is known as the commerce tax. The rate varies based on the industry in which the business is primarily engaged with the industry groupings based on the North American Industry Classification System (NAICS) codes. The rates range from 0.051% to 0.331% of the gross revenue earned in the State of Nevada exceeding $4,000,000 depending on the primary industry category (NAICS code) assigned to the business. The tax is to be computed for each state fiscal year with the tax return and payment due 45 days after the end of the fiscal year. The first tax return and payment are due by August 15, 2016 for the FY 2016 tax liability. Businesses which are required to pay the commerce tax are entitled to a credit of 50% of their commerce tax liability against their modified business tax. Businesses are required to use the credit in the same fiscal year as the commerce tax is paid.

The legislation also provides that if the combined revenues from the taxes imposed by the modified business tax and the commerce tax exceed the anticipated revenues for those taxes projected by the Economic Forum by more than 4%, as adjusted by any legislation enacted by the Legislature that affects state revenue for that fiscal year, the Department of Taxation shall determine the modified business tax rate for both financial and mining and non-financial entities which would have generated a combined revenue of 4 percent more than the amount anticipated. The modified business tax rates for financial and mining and non-financial entities are then to be reduced in the proportion that the actual amount collected from each tax for the preceding fiscal year bears to the total combined amount collected from both the financial and mining and non-financial modified business taxes for the preceding year. The rates determined from this calculation go into effect on July 1 of the odd-numbered year immediately following the year in which the determination is made. The revised rates are to be rounded to the nearest one-thousandth of a percent. The revised rate for the modified business tax for non-financial institutions cannot go below 1.17% and if the revised rate for the modified business tax for non-financial entities is at or below 1.17%, the calculations are no longer required and the rates for both financial and mining institution and non-financial institution entities are not to be adjusted further.

Insurance Premium Taxes. The State levies a tax on insurance companies doing business in Nevada. The tax rate is 3.5% of premiums written on policies and contracts covering property, subjects or risks located, resident or to be performed in this State. If qualified, the tax rate for Risk Retention Groups is 2%.

Live Entertainment Taxes. The State imposes a live entertainment tax on certain gaming and non-gaming establishments providing entertainment. For events that occurred prior to September 30, 2015, the tax rate was 10% of the admission charge and amounts paid for food, refreshments and merchandise when the live entertainment was provided at a facility with a maximum occupancy of less than 7,500 persons. The tax rate was 5% of the admission charge when the live entertainment was provided at a facility with a maximum occupancy equal to or greater than 7,500 persons with no tax collected on food, refreshments or merchandise. The 2015 Regular Session of the State Legislature made changes to the structure of the base for the live entertainment tax by removing the occupancy thresholds and the tax on amounts paid for food, refreshments and merchandise. The legislation also established a single tax rate of 9% on the admission charge effective October 1, 2015.

Cigarette Taxes. Through June 30, 2015, the State imposed a tax of 80 cents per package of 20 cigarettes, 70 cents of which was retained by the State. The collection allowance provided to a taxpayer for collecting and remitting cigarette taxes was 0.25%. The 2015 Regular Session of the State Legislature increased the cigarette tax from 80 cents to $1.80 per package of 20 cigarettes of which $1.70 is retained by the State, effective July 1, 2015. The collection allowance provided to a taxpayer for collecting and remitting cigarette taxes remains at 0.25%.

Real Property Transfer Taxes. The State levies a tax on the value of transfers of real property. The tax is paid on a quarterly basis based on a rate of $1.30 per $500 of value.

Liquor Taxes. The State imposes a liquor tax, which is an excise tax levied upon the volume of alcoholic beverages for the privilege of importing, possessing, storing or selling liquor. The tax rate varies based on alcohol content. The collection allowance provided to a taxpayer for collecting and remitting sales and use taxes is currently 0.25%.

Business Licenses. The 2009 Legislature increased the Business License Fee by $100 to $200 for fiscal years 2010 and 2011 and broadened the categories of businesses required to submit filings and pay the fees. This revenue enhancement was scheduled to expire on June 30, 2011, but was extended by both the 2011 Legislature and the 2013 Legislature. The fee was scheduled to revert to $100 on July 1, 2015. However, the 2015 Legislature made the increase in the business license fee permanent for all types of businesses, except for corporations. The fee for corporations was increased to $500 effective July 1, 2015. Entities that operate a facility where craft shows, exhibitions, trade shows, conventions, or sporting events take place may pay the Business License Fee for participants not having a business license at the rate of $1.25 times the number of unlicensed entities times the number of days of the event, or a flat annual fee of $5,000.

Net Proceeds of Minerals Taxes. The State imposes a mineral tax based on net proceeds at rates ranging from a minimum of 2% to a maximum of 5%. Local governments, school districts and the Consolidated Bond Interest and Redemption Fund receive revenue equal to the amount derived from the application of the respective property tax rate where the mine is located. Revenue above those amounts accrues to the State General Fund. The Legislature required the advance payment on the net proceeds of minerals tax in fiscal year 2009 based upon estimated net proceeds for the current calendar year. The advanced payment provision of the net proceeds of minerals tax was extended by the 2011, 2013 and 2015 Regular Sessions of the State Legislature. The prepayment provision is scheduled to sunset on June 30, 2016.

Room Taxes. The 2009 Legislature passed Initiative Petition 1, which collects up to an additional 3% in room tax in Clark County and Washoe County. This revenue is not available to the General Fund in fiscal year 2012 and thereafter.

Recent and Current State Budgets

Certain information regarding actual State general fund revenues (and projected revenues) is set forth below. This table shows actual revenues for fiscal years actual revenues for fiscal years 2009 through 2013, preliminary revenues for fiscal year 2013, and the revenue forecast for fiscal years 2013, 2014 and 2015 based on the Economic Forum Forecast. These estimates and projections are based on various assumptions and must not be construed as statements of fact. The assumptions may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. Periodic reports on certain revenues during the fiscal year are issued by the Department of Taxation and the Gaming Control Board.

State General Fund Revenues
(in thousands)

Fiscal Year Ended June 30	Actual					Economic Forum Forecast[1]		
	2010	2011	2012	2013	2014	2015	2016	2017
TAXES								
Sales and Use	$784,349	$826,281	$875,596	$923,199	$967,706	$1,037,822	$1,098,069	$1,158,318
Gaming	668,368	683,717	686,450	710,526	718,816	712,914	726,808	744,575
Modified Business	385,110	381,901	369,661	386,610	384,886	403,746	566,528	593,290
Insurance Premium	234,549	235,792	237,859	249,390	264,552	295,600	325,110	356,070
Live Entertainment	119,720	130,638	136,982	137,416	154,136	146,660	144,268	150,197
Mining[2]	76,848	129,692	120,425	111,340	26,222	50,801	38,908	45
Cigarette	88,551	85,961	82,975	83,018	79,629	79,678	175,356	172,675
Real Property Transfer	53,315	51,552	48,374	54,990	60,047	65,405	70,402	76,064
Liquor	--	--	40,650	39,884	41,839	43.525	44,411	45,346
Business License	--	--	64,190	69,011	72,166	74,078	103,040	104,998
Commerce Tax	n/a	n/a	n/a	n/a	n/a	n/a	119,826	119,826
Passenger Carrier Tax	n/a	n/a	n/a	n/a	n/a	n/a	13,685	22,936
Other	69,285[3]	286,181[3]	184,121	190,746	81,679	82,200	83,928	52,979
OTHER REVENUE[4]	348,880	363,711	358,438	304,587	215,298	248,051	223,356	229,685
TOTAL[5]	$3,007,020	$3,175,426	$3,081,768	$3,132,602	$3,066,946	$3,240,480	$3,733,695	$3,827,004

(1) May 1, 2015, Economic Forum Forecast, adjusted for measures approved by the 2015 Legislature (78th Regular Session).
(2) Advance payment required in fiscal years 2009-2015.
(3) Includes room tax (prior to 2012), liquor tax, business license tax and other taxes.
(4) Includes licenses, fees and fines and interest earnings. In fiscal years 2010 - 2013, also includes one-time revenue enhancements.
(5) Numbers may not total due to rounding.

Source: State Department of Administration.

The following table reflects General Fund appropriations and estimates of appropriations for the fiscal years shown.

State General Fund Appropriations[1]
(in thousands)

Fiscal Year Ended June 30	Actual Appropriations 2011[2]	2012	2013	2015[1]	2015 Legislatively Approved Appropriations 2016	2017
Constitutional Agencies	$ 94,555	$ 95,745	$ 98,018	$108,994,869	$133,583,962	$161,651,662
Finance & Administration	36,243	40,836	57,217	31,315,081	56,288,357	68,631,669
Education	1,813,965	1,589,555	1,687,638	1,801,078,886	1,910,694,172	1,973,739,789
Human Services	945,109	977,935	986,697	1,054,158,399	1,044,884,014	1,126,661,087
Commerce & Industry	36,936	45,818	34,075	47,753,576	64,383,766	53,832,342
Public Safety	313,184	290,786	291232	293,171,548	311,926,105	316,902,043
Infrastructure	27,100	22,678	22,802	21,238,887	30,645,160	31,411,513
Special Purpose Agencies	4,865	4,065	4,045	5,465,867	5652,080	5,881,392
TOTAL[3]	$3,271,957	$3,067,420	$3,181,724	$3,363,177,113	$3,558,057,616	$3,738,711,497

(1) Legislature-approved appropriations, including supplemental appropriations approved by the Legislature. Subject to revision.
(2) Revised to reflect actions approved in Assembly Bill 6 of the 26th Special Session.
(3) Totals may not add due to rounding.

Source: Nevada Legislative Appropriations Report, November 2011, November 2012, November 2013, November 2014 and Governor's Finance Office.

The following table sets forth the State General Fund Unappropriated Balances for fiscal years 2011-2015.

State General Fund Unappropriated Balances[1]
(in thousands)

Fiscal Year Ending June 30	2011[2]	2012[2]	2013[2]	2014	2015[2]
General Fund Resources:					
Unappropriated General Fund Balance - July 1	$313,494	$324,069	$335,569	$299,967	$183,544
Unrestricted General Fund Reversions	$83,776	52,412	160,425	48,299	40,000
Unrestricted General Fund Revenue					
Actual General Fund Revenue	$3,175,426	3,065,441	3,131,754	3,066,946	3,222,261
Transfer from Fund to Stabilize the Operation of State Government	41,321	0	0	84,737	28,061
Transfers and Reversions from Various Accounts	2,031	0	0	0	71,960
Budget Reserves / Reductions	5,484	0	0	0	0
24th Special Session - Revenue Enhancements[3]	0	0	0	0	0
25th Special Session - Revenue Enhancements[3]	0	0	0	0	0
26th Special Session - Revenue Enhancements[3]	93,251	0	0	0	0
Increased FMAP - Reserves	0	0	0	0	0
State Fiscal Stabilization - Reserves	0	0	0	0	0
Line of Credit - Local Government Pooled Investment Fund	0	0	0	0	0
Total Unrestricted General Fund Revenue	$3,323,513	$3,065,441	$3,627,748	$3,151,683	$3,322,282
Restricted General Fund Revenue					
Unclaimed Property - Millennium Scholarship	$0	$7,600	$7,600	7,600	7,600
Quarterly Slot Tax - Problem Gambling	1,495	742	727	1,411	1,460
Total Restricted General Fund Revenue	1,495	8,342	8,322	9,011	9,060
General Fund Resources	$3,722,277	$3,450,264	$3,636,070	$3,508,960	$3,554,886
Appropriations / Transfers					
Unrestricted Appropriations / Transfers					
Operating Appropriations	($3,336,977)	($3,104,727)	($3,115,479)	($3,277,621)	($3,318,446)
Supplemental Operating Appropriations	(3,744)	0	(27,528)	0	(66,405)
Operating Appropriations Transfers Between FY 08 & 09	0	0	0		
Operating Appropriations Transfers Between FY 09 & 10	0	0	0		
Operating Appropriations Transfers Between FY 10 & 11	89,818	0	0	0	0
Operating Appropriations Transfers Between FY 12 & 13	0	37,307	(37,307)	0	0
Operating Appropriations Transfers Between FY 14 & 15				(6,310)	6,310
Operating Appropriations/Reductions-26th Special Session	(21,054)	0	0	0	0
One-Time Appropriations	(51,487)	(548)	(84,114)	(7,426)	(1,657)
Restoration of Fund Balances	0	0	0	0	0
Capital Improvement Program - 2007 Legislature	0	0	0	0	0
General Fund Payback - Line of Credit	(15,000)	(138)	(6,804)	0	0
Cost of Regular and Special Sessions of Legislatures	(18,500)	0	18,000)	0	(18,000)
Total Unrestricted Appropriations / Transfers	($3,356,944)	$(3,068,106)	$(3,289,232)	($3,291,357)	($3,398,198)
Restricted Transfers					
Millennium Scholarship	$0	($7,600)	($7,600)	($7,600)	($7,600)
Problem Gambling	(1,495)	(742)	(722)	(1,411)	(1,460)
Disaster Relief Account	(500)	(1,000)	(2,000)	(1,500)	(1,500)
Account to Stabilize the Operation of the State Government[4]	(41,321)	(39,237)	(45,500)	(28,061)	0
Total Restricted Transfers	($43,316)	($48,579)	(55,822)	(38,572)	($10,560)
Adjustments to Fund Balance	$2,051	$1,990	$ 8,951	$4,513	$ 0
Total Appropriations / Transfers	($3,398,209)	($3,114,695)	($3,336,103)	($3,325,416)	($3,408,758)
Unappropriated General Fund Balance June 30	$324,069	$335,569	$299,966	$183,544	$146,128
5% Minimum Ending Fund Balance	$164,348	$153,371	$160,447	$164,197	$168,927
Difference	$159,721	$182,198	$139,520	$19,348	($22,799)

(1) Totals may not add due to rounding.
(2) Unaudited results, subject to revision.
(3) Revenue enhancements include fund sweeps, reversions and revenue adjustments.

Source: Nevada Legislative Appropriations Report, October 2009, November 2011 and November 2013, and Governor's Finance Office.

Population and Age Distribution

Historical State population figures, by county, are shown in the following table. According to the U.S. Census figures, the State's population increased 35% between the years 2000 and 2010.

Nevada Population by County

	1990	2000	2010	2011	2012	2013	2014
Carson City	40,443	52,457	55,274	56,066	55,441	54,668	53,969
Churchill	17,938	23,982	24,877	25,136	25,238	25,322	25,103
Clark	741,459	1,375,765	1,951,269	1,967,722	1,988,195	2,031,723	2,069,450
Douglas	27,637	41,259	46,997	47,661	48,015	48,478	48,553
Elko	33,530	45,291	48,818	49,861	51,771	53,384	53,358
Esmeralda	1,344	971	783	825	860	858	926
Eureka	1,547	1,651	1,987	1,994	2,011	2,024	1,903
Humboldt	12,844	16,106	16,528	17,135	17,384	17,457	17,388
Lander	6,266	5,794	5,775	5,988	6,221	6,343	6,560
Lincoln	3,775	4,165	5,345	5,284	5,100	5,020	5,004
Lyon	20,001	34,501	51,980	52,443	52,245	52,960	53,344
Mineral	6,475	5,071	4,772	4,601	4,679	4,662	4,584
Nye	17,781	32,485	43,946	44,513	44,292	44,749	45,456
Pershing	4,336	6,693	6,753	6,847	7,013	6,882	6,714
Storey	2,526	3,399	4,010	4,123	4,103	4,017	3,974
Washoe	254,667	339,486	421,407	421,593	427,704	432,324	436,797
White Pine	9,264	9,181	10,030	10,002	9,945	10,095	10,218
TOTAL	1,201,833	1,998,257	2,700,551	2,721,794	2,750,217	2,800,967	2,843,301

Source: United States Department of Commerce, Bureau of the Census (1980-2010 as of April 1st); and Nevada State Demographer's Office (2011-2014 estimates as of July 1st).

The following table sets forth a projected comparative age distribution profile for Las Vegas-Henderson-Paradise Metropolitan Statistical Area ("Las Vegas-Paradise MSA") which encompasses Clark County; the Reno Metropolitan Statistical Area ("Reno MSA") which encompasses Storey and Washoe Counties; the State and the United States as of January 1, 2016.

Age Distribution

	Percent of Population			
Age	Las Vegas-Paradise MSA	Reno MSA	State	United States
0-17	23.8%	22.4%	23.3%	23.0%
18-24	9.0	9.4	9.0	9.8
25-34	14.1	14.1	13.8	13.4
35-44	14.1	12.3	13.5	12.6
45-54	13.5	13.2	13.4	13.3
55-64	11.7	13.3	12.3	12.8
65-74	8.5	9.7	9.1	8.8
75 and Older	5.3	5.6	5.6	6.3

Source: © 2015 The Nielsen Company, *SiteReports*.

Income

The following table sets forth annual per capita personal income levels for Las Vegas-Henderson-Paradise MSA, Reno MSA, the State and the United States.

Per Capita Personal Income[1]

Year	Las Vegas-Paradise MSA	Reno MSA	State	United States
2010	$36,057	$41,261	$36,918	$40,277
2011	36,488	43,030	37,745	42,453
2012	38,713	43,048	39,436	44,266
2013	38,091	44,280	39,223	44,438
2014	39,533	46,120	40,742	46,049

(1) MSA figures posted November 2015; state and national figures posted September 2015. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

The following two tables reflect the Median Household Effective Buying Income ("EBI"), and also the percentage of households by EBI groups. EBI is defined as "money income" (defined below) less personal tax and nontax payments. "Money income" is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as "disposable" or "after-tax" income.

Median Household Effective Buying Income Estimates[1]

Year	Las Vegas-Paradise MSA	Reno MSA	State	United States
2012	$45,810	$45,875	$45,512	$41,253
2013	40,897	39,125	40,617	41,358
2014	41,576	43,714	42,480	43,715
2015	43,603	43,875	44,110	45,448
2016	45,634	48,519	46,230	46,738

(1) The difference between consecutive years is not an estimate of change from one year to the next; combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Source © The Nielsen Company, *SiteReports*, 2012-2015.

Percent of Households by Effective Buying Income Groups - 2016 Estimates

Effective Buying Income Group	Las Vegas-Paradise Households	Reno Households	State Households	United States Households
Under $24,999	23.6%	24.7%	23.8%	24.8%
$25,000-$49,999	31.5	26.7	30.5	28.8
$50,000-$74,999	21.0	19.8	20.7	19.1
$75,000-$99,999	12.1	12.8	12.4	12.2
$100,000-$124,999	5.2	7.2	5.7	5.8
$125,000-$149,999	2.5	2.9	2.6	3.7
$150,000 or More	4.1	5.9	4.3	5.6

Source: © 2015 The Nielsen Company, *SiteReports*.

Employment

The average annual labor force summary for the State is set forth in the following table for the time period indicated.

Average Annual Labor Force Summary
State of Nevada
(Estimates in Thousands)

Calendar Year(1)	2010	2011	2012	2013	2014	2015(2)
TOTAL LABOR FORCE(3)	1,358.6	1,373.7	1,378.4	1,384.5	1,394.6	1,419.7
Unemployment	183.8	179.6	153.9	132.1	108.1	98.3
Unemployment Rate(4)	13.5%	13.1%	11.2%	9.5%	7.8%	6.9%
Total Employment(5)	1,174.8	1,194.1	1,224.4	1,252.3	1286.4	1,321.5

(1) Numbers for 2010-2014 were revised April 2015.
(2) As of October 31, 2015.
(3) Figures are not seasonally adjusted.
(4) The annual average U.S. unemployment rates for the years 2010 through 2014 were 9.6%, 8.9%, 8.1%, 7.4% and 6.2%, respectively.
(5) Adjusted by census relationships to reflect number of persons by place of residence.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table indicates the number of persons estimated to be employed, by sector, in non-agricultural industrial employment in the State of Nevada.

Establishment Based Industrial Employment[1]
State of Nevada
(Estimates in Thousands)

Calendar Year	2010	2011	2012	2013	2014	2015[2]
Natural Resources and Mining	12.2	14.0	15.5	15.2	15.0	13.6
Construction	59.3	52.2	52.0	56.8	62.5	68.0
Manufacturing	37.9	38.3	39.2	40.5	41.8	42.0
Trade (Wholesale and Retail)	160.1	161.3	164.9	168.3	174.4	174.1
Transportation, Warehousing & Utilities	50.0	51.4	53.2	53.9	55.1	58.7
Information	12.5	12.6	12.7	12.9	12.8	13.7
Financial Activities	52.9	52.5	54.4	56.8	57.6	57.2
Professional and Business Services	135.7	139.7	144.7	149.9	160.3	159.9
Education and Health Services	101.5	105.4	108.5	111.6	116.9	121.5
Leisure and Hospitality (casinos excluded)	122.3	126.8	130.7	137.5	140.8	142.7
Casino Hotels and Gaming	186.7	188.8	186.5	186.4	191.6	209.4
Other Services	32.9	32.4	33.3	33.5	34.2	35.9
Government	153.8	150.3	149.4	151.0	151.8	153.2
TOTAL ALL INDUSTRIES	1,117.8	1,125.7	1,144.8	1174.3	1214.8	1249.9

(1) Reflects employment by place of work. Detail may not add due to rounding. Does not necessarily coincide with the labor force concept. Includes multiple job holders. All numbers are subject to periodic revision.
(2) As of October 31, 2015.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Sales and Use Tax

The sales and use tax rates in effect within the State include a 2.00% State general fund sales and use tax, a 2.60% local school support tax, and a 2.25% city-county relief tax levied in each county of the State. In addition, if approved by county voters, additional sales and use taxes may be authorized for transportation, tourism, flood control and infrastructure purposes. The Legislature also authorizes sales and use taxes to be levied pursuant to special acts from time to time. The sales and use tax rates in effect within the State range from 6.850% to 8.15%.

Taxable sales are the largest source of revenue for the State's General Fund. See "State General Fund Revenue Sources." Clark County (with a rate of 8.15% effective January 1. 2016) and Washoe County (with a rate of 7.725%) are the major sources of taxable sales revenue in the State. The following table presents a record of taxable sales in the State:

Transactions Taxable Under the Nevada Sales and Use Tax Law - State of Nevada[1]

Fiscal Year[2]	State Total	Percent Change
2011	$39,935,016,227	--
2012	42,954,750,131	7.6%
2013	45,203,408,413	5.2
2014	47,440,345,167	4.9
2015	50,347,535,591	6.1
Jul. 14 – Sept. 14	$12,330,172,466	--
Jul. 15 – Sept. 15	12,958,878,429	5.1%

(1) Subject to revision.
(2) Fiscal year runs from July 1 to the following June 30.

Source: State of Nevada – Department of Taxation.

Gaming and Tourism

Gaming. The economy of the State is substantially dependent upon a tourist industry based on legalized casino gambling and related forms of entertainment. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State. The following table sets forth a five-year history of gross taxable gaming revenues and total gaming taxes collected on a State-wide basis.

Gross Taxable Gaming Revenues and Total Gaming Taxes[1]

	Gross Taxable Gaming Revenue[2]		State Gaming Collection[3]	
Fiscal Year Ended June 30	State Total	Percent Change	State Total	Percent Change
2011	$ 9,836,451,902	--	$853,455,347	--
2012	9,770,060,305	(0.67)%	864,621,791	1.31%
2013	10,208,253,998	4.49	892,106,457	3.18
2014	10,208,208,433	0.00	912,371,316	2.27
2015	10,511,301,026	2.97	909,857,085	(0.28)
Jul 14 – Oct 14	$3,520,811,868	--	$262,561,417	--
Jul 15 – Oct 15	3,439,456,945	(2.31)%	273,214,420	4.06%

(1) The figures shown are subject to adjustments due to amended tax filings, fines and penalties.
(2) The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).
(3) Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to State funds other than the State's General Fund.

Source: State of Nevada, Gaming Control Board.

Gaming Competition. Different forms of legalized gaming have been authorized by many states, as well as the tribal casinos, across the United States. Other states may authorize gaming in the future in one form or another. The different forms of gaming include casino gaming, racetrack or riverboat gambling, internet gaming and lotteries. Historically, the availability of these forms of gaming in other states has not had a significant impact on gaming in the State. Nonetheless, the Commission cannot predict the impact of legalization of gaming in other states or other countries on the future economy of the State.

Tourism. In addition to gaming-related tourism, the State has large resort areas, with nearby skiing as well as sunbathing, near Lake Tahoe, Reno, Las Vegas, and elsewhere. Ghost towns, rodeos, trout fishing, water skiing, and deer hunting are other attractions located throughout the State.

Warehousing

Reno and Las Vegas are the two major trade centers of the State. Reno is the principal distribution center for northwestern Nevada and northeastern California. Las Vegas serves southern Nevada and nearby areas of California, Utah, and Arizona. Warehousing, a growing industry in the State, was established because of Nevada's strategic location and its freeport tax exemption for goods in transit. Nevada's Freeport Law, established by Constitutional amendment in 1960, provides tax-free warehousing on goods stored, assembled, disassembled, bound, joined, processed, divided, cut, broken in bulk, relabeled, or repacked while in transit through the State. There is no limit, and the law is believed to be among the most liberal of its kind. The area also has an established Foreign Trade Zone.

Federal Activities

Operations and facilities of the Federal Government in the State have been significant, beginning with Hoover Dam in the 1930's, an Army Air Force gunnery school (later Nellis AFB) during World War II, and the subsequent creation of the Nevada Test Site. The Federal Government currently owns or manages approximately 85% of the land in the State.

Hoover Dam. Hoover Dam, operated by the federal Bureau of Reclamation, is a multiple-purpose development. The dam controls floods and stores water for irrigation, municipal and industrial uses, hydroelectric power generation, and recreation. Hoover Dam is still one of the world's largest hydroelectric installations with a capacity of more than 2,000,000 kilowatts. Hoover Dam also is a major tourist attraction in Clark County.

Nellis Air Force Base. Nellis Air Force Base, a part of the U.S. Air Force Air Combat Command, is located adjacent to the City of Las Vegas. The base itself covers more than 14,000 acres of land, while the total land area occupied by Nellis Air Force Base and its ranges is over three million acres. The base hosts numerous military programs as well as civilian workers. It is the home base of the "Thunderbirds," the world famous air demonstration squadron.

Nevada National Security Site. The Nevada National Security Site ("NNSS"), previously the Nevada Test Site, was established in 1950 as the nation's proving ground for nuclear weapons testing. In recent years, under the direction of the Department of Energy's

Nevada Operations Office, NNSS use has diversified into many other areas such as hazardous chemical spill testing, emergency response training, conventional weapons testing, and waste management projects that can best be conducted in this remote desert area. The NNSS has been designated as an Environmental Research Park where scientists and students can conduct research on environmental issues. Located 65 miles northeast of Las Vegas, the NNSS is a massive outdoor laboratory and national experimental center. NNSS comprises 1,360 square miles, surrounded by thousands of additional acres of land withdrawn from the public domain for use as a protected wildlife range and for a military gunnery range, creating an unpopulated area of some 5,470 square miles. Federal employees and independent contractors are employed at NNSS.

Others. Other federal government agencies adding to the State economy are the National Park Service (Lake Mead National Recreation Area and the Great Basin National Park in Ely), a Naval Air Station (which includes the Navy Fighter Weapons School ("TOPGUN")) located at Fallon, Nevada, and Hawthorne Army Depot which stores conventional munitions and ensures munitions readiness.

Mining

Nevada's mining industry remains a nationally and internationally significant source of metals and minerals. Gold and silver are the primary sources of mining revenue in the state. Nevada's mines produced approximately 4,940,540 troy ounces in gold in 2014 compared to 5,436,430 troy ounces in 2013, a decrease of approximately 9%. According to the U.S. Geologic Survey, Nevada remains the nation's top gold producer with about 73% of the U.S. total. Silver production in 2014 increased 26% to 10,933,774 troy ounces from 8,668,596 troy ounces in 2013. More than 150 companies are actively mining or exploring for mineral resources in the State. In 2014, Nevada also led the nation in the production of barite, lithium compounds and magnesium compounds. In addition, the State produced aggregates, specialty clays, copper, diatomite, dolomite, geothermal energy, gypsum, lapidary and gem stone, limestone, oil, perlite, salt, silica sand and zeolites.

According to the Nevada Department of Employment, Training and Rehabilitation, the Nevada mining industry employed an average of 14,413 employees in 2014. The average pay for mineral industry employees during this time was $88,634 per year, the highest average of any employment sector in the state. The Nevada Department of Taxation reports that the gross proceeds of minerals in the state for 2014 is approximately $7.7 billion. In prior years, mineral production generated the following gross proceeds: 2013 - $9.0 billion; 2012 - $10.4 billion; 2011 - $9.6 billion; 2010 - $7.5 billion; and 2009 - $5.8 billion.

Over the past three decades, the mining industry has invested more than $30 billion dollars in exploration, operations, and equipment in Nevada. The state possesses considerable mineral reserves, and exploration suggests that companies are investing now to develop still-unexplored mineral resources.

Transportation

Reno and Las Vegas, the State's two major population centers, are approximately 400 miles apart. Both cities have airports designated as international ports of entry. Two major railroads cross Nevada while short lines serve as feeders. There are nine federal highways in Nevada, two of which are part of the interstate system. Interstate 15, connecting Salt Lake City and San Diego, passes through Las Vegas and provides convenient access to the Los Angeles area. Interstate 80 connects Salt Lake City with the San Francisco Bay area and passes through the Reno-Sparks area. U.S. Highway 95 and 93 are major routes north from Las Vegas, through Reno and Ely, Nevada, respectively. South of Las Vegas, U.S. 95 extends to the Mexican border, generally following the Colorado River, and U.S. 93 crosses Hoover Dam into Arizona.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture and is qualified in its entirety by the provisions of the Indenture itself. Copies of the Indenture are available from the sources listed in "INTRODUCTION – Additional Information."

Definitions

As used in the Indenture, the following terms shall, for all purposes, have the following meanings unless the context clearly requires otherwise.

"Additional Payments" means the rebate payments as provided in the Indenture, and all other charges and costs (together with all interest and penalties that may accrue thereon in the event that the System shall fail to pay the same, as specifically set forth in the Indenture) which the System assumes or agrees to pay under the Indenture. Additional Payments do not include the Base Payments or the Redemption Price.

"Agreement" or "Indenture" means the Installment Purchase Agreement and Indenture of Trust dated as of **________** 1, 2016 by and between the System and the Trustee, and any amendments or supplements thereto which are entered into in accordance with the provisions thereof, including the exhibits attached to the Indenture.

"Agreement Term" means the term of the Indenture as provided in Article I hereof. Certain provisions of the Indenture survive the termination of the Agreement Term.

"Authorized Denominations" means, with respect to the 2016 Certificates, denominations of $5,000 or integral multiples thereof; provided that no 2016 Certificate may be issued in a denomination which exceeds the aggregate principal amount of 2016 Certificates coming due on any maturity date and no individual 2016 Certificate will be issued for more than one maturity.

"Base Payments" means the payments payable by the System pursuant to the Indenture, as it may be amended, during the Agreement Term.

"Board" means the Board of Regents of the System.

"Business Day" means any day other than a Saturday, Sunday or legal holiday on which banks in Reno, Nevada or New York, New York are authorized or required by law to remain closed.

"Certificate Fund" means the special fund created under Section 3.02 of the Indenture for the purpose of holding and disbursing to the Certificate Owners the Base Payments paid by the System, and includes both the Principal Account and the Interest Account thereof.

"Certificate Insurer" means municipal bond insurance company, if any, insuring the 2016 Certificates and any successors thereto.

"Certificate Insurance Policy" means the financial guaranty insurance policy issued by the Certificate Insurer insuring the payment when due of the principal of and interest on the 2016 Certificates.

"Certificates" or "2016 Certificates" means the Taxable Certificates of Participation, Series 2016B issued under this Indenture, which represent assignments of the right to receive Revenues pursuant to the Indenture.

"Completion Date" means the date on which the acquisition and construction of the Project is complete.

"Continuing Disclosure Certificate" means the certificate executed by the System in connection with the Indenture or an amendment thereto, which constitutes an undertaking pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission.

"Escrow Account" means the special and separate account designated as Escrow Account and created in the Indenture, and required to be accumulated and maintained by the Escrow Agent under the Escrow Agreement.

"Escrow Agent" means U.S. Bank National Association, or any successor escrow agent.

"Escrow Agreement" means the contract designated as the "Nevada System of Higher Education, Taxable Certificates of Participation Series 2016B" between the System and the Escrow Agent.

"Event of Default" means those defaults specified in Section 6.01 of the Indenture.

"Federal Securities" means noncallable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America, or interests in such obligations.

"Fiscal Year" means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court in the State and who is not an employee of the Trustee or the System.

"Interest Payment Date" means each January 1 and July 1 with the first interest payment to be made on July 1, 2016.

"NRS" means Nevada Revised Statutes, as amended and supplemented as of the date hereof.

"Opinion of Counsel" means an opinion in writing of legal counsel, who may be counsel to the Trustee or the System.

"Outstanding" or "Certificates Outstanding" means all Certificates which have been executed and delivered, except:

(a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been executed under the Indenture;

(c) Certificates which shall have been redeemed as provided in the Indenture (including Certificates redeemed on payment of an amount less than the principal amount thereof and accrued interest thereon as provided in the Indenture); and

(d) Certificates which are deemed to be paid pursuant to Article V of the Indenture.

"Owner" or "registered owner" of a Certificate or "Certificate Owner" means the registered owner of any Certificate as shown on the registration records of the Trustee.

"Permitted Investments" means investments or deposits which are legal investments or deposits for the System under the then applicable laws of the State, including any state administered pool investment fund in which the System is statutorily permitted or required to invest. Any investments may not have maturities exceeding five years.

"Project" means the refunding of the Nevada System of Higher Education, Taxable Promissory Note, Series 2015B (University of Nevada, Las Vegas) (the "Refunded Note") and the costs of issuance of the 2016 Certificates.

"Project Account" means the special account created under the Indenture.

"Project Costs" shall be deemed to include payment of or reimbursement for the following items with respect to the Project:

(1) any costs paid or incurred for the acquisition of any real estate acquired as part of the Project;

(2) obligations paid or incurred for labor, materials and equipment in connection with the construction, acquisition, renovation and equipping of the Project;

(3) the cost of performance and payment bonds and of insurance of all kinds (including, without limitation, title insurance) that may be necessary or appropriate in connection with the Project;

(4) the costs of engineering and architectural services including obligations incurred or assumed for preliminary design and development work, test borings, surveys, estimates and plans and specifications;

(5) administrative costs related to the Project incurred, including supervision of the construction, acquisition, renovation and equipping as well as the performance of all of the other duties required by or consequent upon the construction, acquisition, renovation and equipping of the Project, including, without limitation, costs of preparing and securing all Project contracts, permits, architectural fees, legal fees and expenses, appraisal fees, independent inspection fees, engineering fees, auditing fees and advertising expenses in connection with the Project;

(6) costs incurred in connection with the Certificates, including the initial compensation and expenses of the Trustee, any fees and expenses of the System, legal fees and expenses, costs incurred in obtaining ratings from rating agencies, the premium for the Certificate Insurance Policy, accounting fees and expenses, costs of publication, printing and engraving and recording and filing fees and capitalization of interest on the Certificates;

(7) all costs which shall be required to be paid under the terms of any contract relating to the Project;

(8) payment of or reimbursement to the System for that portion of the Base Payments which is designated and paid as interest prior to the Completion Date; and

(9) all other costs which are considered to be a part of the costs of the Project in accordance with generally accepted accounting principles and which will not adversely affect the exclusion from gross income for Federal income tax purposes of the designated interest component of Base Payments payable by the System under the Indenture.

"Rebate Account" means the special fund created under the Indenture.

"Record Date" means the fifteenth day of the month next preceding each interest payment date for the Certificates.

"Revenues" means (i) the Base Payments; (ii) any earnings on moneys on deposit in the Certificate Fund; (iii) all other revenues derived from the Indenture, excluding Additional Payments and excluding payments constituting compensation to the Trustee for its services or reimbursement to the Trustee for costs or expenses; and (iv) any other moneys to which the Trustee may be entitled for the benefit of the Certificate Owners.

"Special Record Date" means a special date fixed to determine the names and addresses of registered owners of the Certificates for purposes of paying interest on a special interest payment date for defaulted interest, all as provided in the Indenture.

"State" means the State of Nevada.

"System" means the Nevada System of Higher Education, and its successors.

"System Representative" means the System's Chairman of the Board, the System's Chancellor, the System's Vice Chancellor for Finance and Administration, the Vice President for Finance at the University of Nevada, Reno, the Vice President for Finance & Administrative Services at Truckee Meadows Community College or any person or persons at the time designated to act on behalf of the System for purposes of performing any act under the Indenture by a written certificate furnished by the System to the Trustee containing the specimen signature of such person or persons and signed on behalf of the System by the Secretary to the Board. Such designation of the System Representative may be changed by the System from time to time by furnishing a new certificate to the Trustee.

"Trustee" means U.S. Bank National Association, organized under the laws of the United States of America, acting in the capacity of trustee for the Certificate Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

"Trust Estate" means the property pledged and assigned to the Trustee pursuant to the granting clauses of the Indenture, including (a) all Base Payments and any other receipts received by the Trustee from or on behalf of the System pursuant to the Indenture and (b) all moneys and securities from time to time held by the Trustee under the Indenture (other than moneys and securities held in the Project Account, the Rebate Account and any defeasance escrows established pursuant to the Indenture), including any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specially mortgaged, pledged, or hypothecated, as and for additional security hereunder, by the System, or by anyone on its behalf, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

"Trustee Representative" means the person or persons at the time designated to act on behalf of the Trustee for purposes of performing any act under the Indenture by a written certificate furnished by the Trustee to the System containing the specimen signature of such person or persons and signed on behalf of the Trustee by any duly authorized officer of the Trustee. The designation of the Trustee Representative may be changed by the Trustee from time to time by furnishing a new certificate to the System and the Trustee.

Application of Proceeds

Net proceeds from the sale of the 2016 Certificates shall be deposited into the Escrow Account which shall be applied, together with other available funds, solely to the refunding of the Refunded Note and into the Project Account which shall be applied solely to the payment of Project Costs financed by the 2016 Certificates, including to pay costs of issuance of the 2016 Certificates for the Project. See "SOURCES AND USES OF FUNDS."

Limited Certificate

Each Certificate shall represent assignments of the right to receive Revenues under the Indenture. The Certificates are payable solely from Revenues as, when and if the same are received by the Trustee, from amounts on deposit in the Certificate Fund and from payments made by under any Certificate Insurance Policy. The Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The Certificates shall not constitute or give rise to a general obligation or other indebtedness of the State or a general obligation of the System within the meaning of any constitutional, statutory or debt limitation. Neither the Indenture nor the Certificates shall constitute a general obligation of the System, and the System shall have no obligation with respect to the Certificates except to the extent of its assignment of the Trust Estate to the Trustee pursuant to the Indenture; and the Indenture shall not create any pecuniary liability on the part of the directors or officers of the System. No provision of the Certificates or the Indenture shall be construed or interpreted (a) to require the System to make an appropriation; or (b) as a delegation of governmental powers by the System.

All payments by the System under the Indenture are payable from any monies of the System legally available for the purpose of making such payment, and the System covenants in the Indenture to make sufficient provision annually in its budget to pay the Base Payments and reasonably estimated Additional Payments when due. The Certificates shall be payable solely from Revenues received by the Trustee, amounts on deposit in the Certificate Fund and from amounts paid under the Certificate Insurance Policy. Revenues, when, as, and if received by the Trustee, shall be held under the Indenture for payment of the principal of, premium, if any, and interest on the Certificates as provided in the Indenture

Certificate Fund

The Indenture created and established with the Trustee the Certificate Fund, which shall be used to pay the principal of and interest on the Certificates. Within the Certificate Fund, there are created and ordered established an Interest Account and a Principal Account, as follows:

(a) There shall be deposited into the Interest Account of the Certificate Fund (i) that portion of each payment of Base Payments paid by the System as interest on the 2016 Certificates; and (ii) all other moneys received by the Trustee under the Indenture accompanied by directions from the System that such moneys are to be deposited into the Interest of the Certificate Fund.

(b) There shall be deposited into the Principal Account of the Certificate Fund (i) that portion of each payment of Base Payments paid by the System as principal on the 2016 Certificates; and (ii) all other moneys received by the Trustee under the Indenture accompanied by directions from the System that such moneys are to be deposited into the Principal Account of the Certificate Fund.

Moneys held in the Certificate Fund shall be invested and reinvested in accordance with the Indenture. Moneys in the Interest Account of the Certificate Fund shall be used solely for the payment of the interest on the 2016 Certificates except to the extent that moneys may be deposited in the Rebate Account. Moneys in the Principal Account of the Certificate Fund shall be used solely for the payment of the principal of the 2016 Certificates, except to the extent that moneys may be deposited in the Rebate Account. In the event the Certificates are to be redeemed in whole pursuant to Section 2.06 of the Indenture, any moneys remaining in the Certificate Fund shall be applied to such redemption along with other moneys held by the Trustee for such purpose.

The Certificate Fund shall be in the custody of the Trustee. The Trustee shall withdraw sufficient funds from the Certificate Fund to pay the principal of and interest on the Certificates as the same become due and payable, which responsibility, to the extent of the moneys therein, the Trustee accepts in the Indenture.

The Project Account

The Indenture created and established with the Trustee for the account of the System Project Account. The System may direct the Trustee to or the Trustee may establish such additional accounts within the Project Account or such subaccounts within any of the existing or any future accounts of the Project Account as may be necessary or desirable. So long as no Event of Default shall have occurred under the Indenture, moneys held in the Project Account shall be disbursed by the Trustee to pay Project Costs upon written direction from a System Representative in the form of the Disbursement Request attached to the Indenture and the Trustee shall immediately pay the amounts requested upon receipt by the Trustee of an executed Disbursement Request. If an Event of Default shall have occurred under the Indenture, the Trustee shall either disburse moneys held in the Project Account as provided in the preceding sentence upon written direction of a System Representative or apply such moneys as provided in the Indenture.

Upon the Completion Date, the remaining proceeds of the 2016 Certificates issued to finance the Project, and any earnings thereon, then held in the Project Account, minus any amount estimated by the System Representative to be necessary to pay Project Costs relating to such Project financed by the 2016 Certificates, shall be transferred by the Trustee to the Certificate Fund specified by the System and if none, to the Interest Account of the Certificate Fund.

Investment earnings on moneys in the Project Account shall be deposited into the Rebate Account and to the extent not needed therefore, shall remain in the Project Account and be applied as provided in the preceding paragraph.

Unclaimed Funds

Any funds deposited with the Trustee by the System in accordance with the terms and covenants of the Indenture, in order to redeem or pay the Certificates in accordance with the provisions of the Indenture, and remaining unclaimed by the owners of the Certificates after the date fixed for redemption or maturity, shall be escheated to the appropriate state in accordance with a particular state's escheatment laws and thereafter the owners of the Certificates shall be entitled to look only to the state to whom such funds were escheated for payment thereof. The Trustee shall maintain records of any escheated funds.

Moneys to be Held in Trust

The ownership of the Certificate Fund and any other fund or account created under the Indenture shall be held by the Trustee for the benefit of the Certificate Owners as specified in the Indenture; provided, however, that, moneys in the Project Account shall be held by the System for the Project and moneys in the Rebate Account and in any defeasance escrows shall be used only for the specific purposes provided in the Indenture in connection therewith.

Repayment to the System from the Trustee

After payment in full of the Certificates, the interest thereon, any premium thereon, the fees, charges and expenses of the Trustee and all other amounts required to be paid under the Indenture, any amounts remaining in the Certificate Fund or otherwise held by the Trustee pursuant to the Indenture (but excluding the Rebate Account and defeasance escrows established pursuant to Article V hereof) shall be paid to the System as a return of an overpayment of Base Payments.

Investments

All moneys held as part of the Certificate Fund, the Project Account, the Rebate Account or any other fund or account created under the Indenture (except any defeasance escrow pursuant to the Indenture) shall be deposited or invested and reinvested by the Trustee, at the written direction of the System, in Permitted Investments; provided, however, that the Trustee shall make no deposits or investments of any fund or account created under the Indenture which shall interfere with or prevent withdrawals for payment of the Certificates at or before maturity or interest thereon as required under the Indenture. Any and all such deposits or investments shall be held by or under the control of the Trustee. All moneys held as part of the Project Account shall be deposited or invested and reinvested by the System in Permitted Investments. The Trustee may make any and all such deposits or investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee. Subject to the transfer of certain investment income pursuant to the Indenture, deposits or investments shall at all times be a part of and remain in the fund or account from which the moneys used to acquire such deposits or investments have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. Certain interest or other gain from any fund under the Indenture (except any defeasance escrows) shall be deposited in the Rebate Account and other such interest or gain shall be deposited in the Rebate Account to the extent directed by the System pursuant to the Indenture; but no such transfer shall be made if such transfer would cause the amount then on deposit in such fund to be less than required by the provisions of the Indenture, unless the Trustee consents to such transfer. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in the Certificate Fund is insufficient to pay the principal of and interest on the Certificates when due, or whenever the cash balance in any other fund or account under the Indenture is insufficient to satisfy the purposes of such fund or account.

Discharge of the Indenture

If, when the Certificates shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid (or, in the case of redemption of the Certificates, if payment of an amount less than the aggregate principal amount of the Certificates Outstanding plus accrued interest thereon to the redemption date is made), or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the System to the Trustee and the Certificate Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee and the System shall transfer and convey to the System or to its order all property assigned or pledged to the Trustee by the System then held by the System or by the Trustee pursuant to the Indenture, and the System and the Trustee shall execute such documents as may be reasonably required by the System and shall turn over to the System any surplus in any fund created under the Indenture.

Any Outstanding Certificate shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section if (i) in case the Certificate is to be redeemed on any date prior to its maturity, the System shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give notice of redemption of such Certificate on the redemption date, such notice to be given on a date and otherwise in accordance with the provisions of the Indenture, (ii) there shall have been deposited in trust either moneys in an amount which shall be sufficient, or Federal Securities the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held in trust at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on the Certificate on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event the Certificate is not by its terms subject to redemption within the next 60 days, the System shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to the Indenture, a notice to the Owner of such Certificate that the deposit required by (ii) above has been made in trust and that the Certificate is deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on the Certificate. Neither the Federal Securities nor moneys deposited in trust pursuant to the Indenture or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on the Certificate; provided that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, may be reinvested in Federal Securities maturing at the times and in amounts sufficient to pay when due the principal of, premium, if any, and interest to become due on the Certificate on or prior to such redemption date or maturity date thereof, as the case may be. At such time as any Certificate shall be deemed paid as aforesaid, such Certificate shall no longer be secured by or entitled to the benefits of the Indenture, except for the purpose of exchange and transfer and any payment from such moneys or Federal Securities deposited in trust.

Notwithstanding the foregoing, in the event that the principal and/or interest of the Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not considered to be paid under the Indenture, and the assignment and pledge contained in the Indenture and all covenants, agreements and other obligations under the Indenture shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of the registered owners.

The discharge of the Indenture pursuant to Indenture shall be without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements incurred with respect to the administration of the trust created by the Indenture and the performance of its powers and duties under the Indenture.

In the event that there is a defeasance of only part of the Certificates of any maturity, the Trustee shall, if requested by the System, institute a system to preserve the identity of the individual Certificates or portions thereof so defeased, regardless of changes in Certificate numbers attributable to transfers and exchanges of Certificates; and the Trustee shall be entitled to reasonable compensation and reimbursement of expenses from the System in connection with such system as Additional Payments under the Indenture.

Defaults

If any of the following events occur it is hereby defined as and shall be deemed an Event of Default:

(a) Default by the System in the payment of any Base Payments required to be paid under the Indenture when the same shall become due and payable.

(b) Failure by the System to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in (a) but including any default in the payment of any Additional Payments then due and payable, for a period of 45 days after written notice, specifying such failure and requesting that it be remedied, shall be given to the System by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action shall be instituted by the System within the applicable period and diligently pursued until the default is corrected.

Remedies on Default

If an Event of Default shall have occurred under the Indenture, then

(i) the registered owner may proceed against the System to protect and enforce all of its rights under the Indenture by mandamus or by other suit, action or special proceeding in law or in equity in any court of competent jurisdiction for the specific performance of the covenants and agreements of the System under the Indenture;

(ii) the Owners may exercise such other remedies available to it at law or in equity.

Upon the occurrence of an Event of Default, the Trustee may and shall at the request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, without any further demand or notice, take one or any combination of the following remedial steps:

(i) Take whatever action at law or in equity which appears necessary or desirable to enforce its rights in and to the Revenues under the Indenture.

(ii) The Trustee shall also be entitled, upon any Event of Default, to any moneys in any funds or accounts created under the Indenture (other than the Rebate Account or any escrow accounts established pursuant to Article V hereof) for the benefit of the Certificate Owners.

No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Indenture or now or thereafter existing at law or in equity or by statute.

If any Event of Default shall have occurred, if requested by the Owners of a majority in aggregate principal amount of Certificates then Outstanding and if the Trustee is indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Certificate Owners.

Waiver of Event of Default

The Trustee may in its discretion waive any Event of Default and its consequences and notwithstanding anything else to the contrary contained in the Indenture shall do so upon the written request of the Owners of not less than two-thirds in aggregate principal amount of all the Certificates then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Default exists (i) any default in the payment of the principal of or premium on any Outstanding Certificates at the date of maturity specified therein or (ii) any default in the payment when due of the interest on any such Certificates, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be, and all expenses of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the System, the Trustee and the Certificate Owners shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Certificate Owners

The Trustee and the System may, without the consent of, or notice to, the Certificate Owners (but with the consent of the Certificate Insurer as provided in the Indenture), enter into such indentures or agreements supplemental to the Indenture for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the System contained in the Indenture other covenants and agreements to be thereafter observed by the System;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Certificate Owners;

(c) To subject to the Indenture additional revenues, properties or collateral.

Supplemental Indentures Requiring Consent of Certificate Owners

Exclusive of supplemental indentures described under the caption “Supplemental Indentures Not Requiring Consent of Certificate Owner”, the written consent of the System and the Owners of not less than two-thirds in aggregate principal amount of the Certificates then Outstanding shall be required for the execution by the System and the Trustee of any indenture or indentures supplemental; provided, however, that without the consent of the Owners of all the Certificates at the time Outstanding or of all of the Certificates affected thereby, as the case may be, nothing in the Indenture shall permit or be construed as permitting:

(a) A change in the terms of redemption or maturity of the principal amount of or the interest on any Outstanding Certificate, or a reduction in the principal amount of or premium payable upon any redemption of any Outstanding Certificate or the rate of interest thereon, without the consent of the Owner of such Certificate;

(b) The deprivation of the Owner of any Certificate then Outstanding of the lien created by the Indenture (other than as originally permitted hereby), without the consent of the Owner of such Certificate;

(c) A privilege or priority of any Certificate or Certificates over any other Certificate or Certificates; or

(d) A reduction in the percentage of the aggregate principal amount of the Certificates required for consent to such supplemental indenture.

If at any time the System shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the Certificate Insurer and to the registered owners of the Certificates at the addresses last shown on the registration records of the Trustee. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Certificate Owners. If within 60 days or such longer period as shall be prescribed by the System following the mailing of such notice, the Certificate Insurer and the Owners of not less than the requisite aggregate principal amount of the Certificates Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Certificate Owner shall have any right to object to any of the terms and provisions contained in the Indenture, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the System from executing the same or from taking any action pursuant to the provisions thereof.

Covenant to Budget

The Board covenants in the Indenture to specifically make sufficient provision annually in its budget to pay all Base Payments and reasonably estimated Additional Payments for the next Fiscal Year.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2016B Certificates. The 2016B Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the 2016B Certificates, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2016B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016B Certificates on DTC's records. The ownership interest of each actual purchaser of each 2016B Certificates ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2016B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2016B Certificates, except in the event that use of the book-entry system for the 2016B Certificates is discontinued.

To facilitate subsequent transfers, all 2016B Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2016B Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2016B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016B Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016B Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016B Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Certificate documents. For example, Beneficial Owners of 2016B Certificates may wish to ascertain that the nominee holding the 2016B Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016B Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016B Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the System as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2016B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2016B Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the System or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the System, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the System or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2016B Certificates at any time by giving reasonable notice to the System or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2016B Certificates are required to be printed and delivered.

The System may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2016B Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the System believes to be reliable, but the System takes no responsibility for the accuracy thereof.

APPENDIX E

FORM OF SPECIAL COUNSEL OPINION

[Closing Date]

Nevada System of Higher Education
2601 Enterprise Road
Reno, Nevada 89512

$__________
Taxable Certificates of Participation, Series 2016B
Representing Assignments of the
Right to Receive Certain
Revenues pursuant to the
Installment Purchase Agreement and Indenture of Trust
between the Nevada System of Higher Education
and
U.S. Bank National Association, as Trustee

Ladies and Gentlemen:

We have acted as special counsel to the Nevada System of Higher Education (the "System") in connection with its authorization, executing and delivery of the Installment Purchase Agreement and Indenture of Trust dated as of March 1, 2016 (the "Indenture"), between the System and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture. The above-captioned Certificates (the "Certificates") represent assignments of the right to receive certain Revenues payable by the System pursuant to the Indenture, as provided in the Certificates and the Indenture.

In our capacity as special counsel, we have examined a certified transcript of the record of the proceedings of the Board of Regents of the System, taken preliminary to and in the authorization of, and other documents relating to, the Indenture and such other documents and such law of the State of Nevada (the "State") and of the United States of America as we have deemed necessary and relevant as a basis for this opinion letter.

Regarding questions of fact material to our opinions, we have relied upon representations of the System contained in the certified proceedings and other documents and other representations and certifications of the Trustee, public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as special counsel that:

1. The Indenture has been duly authorized by the System and duly executed and delivered by authorized officials of the System and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the System. Neither the Indenture nor the Certificates constitute a general obligation indebtedness of the State or the System within the meaning of any provision of the Constitution or laws of the State concerning or limiting the creation of a general obligation indebtedness by the State or the System. We express no opinion with respect to the validity or enforceability of indemnities contained in the Indenture.

2. Assuming the due authorization, execution, and delivery of the Indenture by the Trustee, and the due execution and delivery of the Certificates by the Trustee, the Certificates represent valid and binding assignments of the right to receive certain Revenues under the Indenture as provided in such Certificates.

3. The portion of the Base Payments which is paid by the System and designated in the Indenture as interest and is paid by the Trustee as interest with respect to the Certificates is included in gross income for federal income tax purposes.

The opinions expressed above in this opinion letter are subject to the following:

The enforceability of the obligations of the System incurred pursuant to the Indenture is subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including, without limitation, bankruptcy powers.

In rendering the foregoing opinions, we are not opining upon matters of the corporate status of the Trustee, the power of the Trustee to execute or deliver the Indenture, the enforceability of the Indenture against the Trustee, the power of the Trustee to execute or deliver the Certificates, or the enforceability of the Certificates against the Trustee.

In expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay when due, at stated maturity or upon prior redemption, all principal of, any prior redemption premiums, and interest on the Refunded Note.

In this opinion letter issued in our capacity as special counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Certificates or upon any federal or state tax consequences arising from the receipt or accrual of interest with respect to, or the rights and obligations under, the Indenture or the Certificates, except those specifically addressed in paragraph 3 above.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Nevada System of Higher Education (the "Issuer") in connection with the issuance of the Taxable Certificates of Participation, Series 2016B (the "Certificates") representing assignments of the right to receive certain revenues pursuant to an Installment Purchase Agreement and Indenture of Trust dated as of _________ 1, 2016 (the "Indenture"), between the Nevada System of Higher Education (the "System"), as issuer, and U.S. Bank National Association, as trustee (the "Trustee"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC").

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Material Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with an offering of the Certificates.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than March 31 following the end of the Issuer's fiscal year of each year, commencing on March 31 following the end of the Issuer's fiscal year ending June 30, 2016, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send or cause to be filed with the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(ii) send written notice to the Issuer at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(iii) file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) An update of the type of information identified in Exhibit B hereto, which is contained in the tables in the Official Statement with respect to the Certificates.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Certificates:

a. Principal and interest payment delinquencies;
b. Non-payment related defaults, if material;

c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers or their failure to perform;

f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;

g. Modifications to rights of certificate holders, if material;

h. Certificate calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution or sale of property securing repayment of the Certificates, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person[1];

m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

[1] For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Certificates; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Certificates.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Certificates, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

DATE:__________, 2016

NEVADA SYSTEM OF HIGHER EDUCATION

____

Vice Chancellor for Finance and Administration

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Nevada System of Higher Education

Name of Issue: Taxable Certificates of Participation, Series 2016B

CUSIP:

Date of Issuance: __________, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by the Installment Purchase Agreement and Indenture of Trust dated as of __________ 1, 2016 and the Continuing Disclosure Certificate executed on _____________, 2016 by the Issuer. The Issuer anticipates that the Annual Report will be filed by ________________________.

Dated: ______________________

NEVADA SYSTEM OF HIGHER EDUCATION

By:_____________________________________
Title:___________________________________

EXHIBIT B

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

(see page iv of the Official Statement)