

OFFICIAL STATEMENT

\$57,750,000

**NEVADA SYSTEM OF HIGHER EDUCATION
UNIVERSITIES REVENUE BONDS, SERIES 2016A**



NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: S&P: "AA-"
Moody's: "Aa2"
See "RATINGS"

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2016A Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2016A Bonds (the "Tax Code") and interest on the 2016A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS – Federal Tax Matters."

\$57,750,000
NEVADA SYSTEM OF HIGHER EDUCATION
UNIVERSITIES REVENUE BONDS
SERIES 2016A

Dated: Date of Delivery

Due: July 1, as shown herein

The 2016A Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The 2016A Bonds 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 2016A Bonds. Purchases of the 2016A Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2016A Bonds. See "THE 2016A Bonds – Book-Entry Only System." The 2016A Bonds bear interest at the rates set forth herein, 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 2016A Bonds are redeemed earlier), by check or draft mailed to the registered owner of the 2016A Bonds, initially Cede & Co. The principal of the 2016A Bonds will be payable upon presentation and surrender at the operations office of U.S. Bank National Association or its successor as the paying agent for the 2016A Bonds. See "THE 2016A Bonds."

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

The 2016A Bonds are subject to redemption prior to maturity at the option of the Nevada System of Higher Education (the "System"), as described in "THE 2016A Bonds – Prior Redemption."

Proceeds of the 2016A Bonds will be used to: (i) refund certain of the Systems outstanding obligations; and (ii) pay the costs of issuing the 2016A Bonds. See "SOURCES AND USES OF FUNDS."

The 2016A Bonds are special obligations of the System payable solely from, and secured by a pledge of and a prior lien upon: (i) certain student fees, (ii) net revenues from student housing and dining facilities, parking facilities and special event facilities at the University of Nevada, Las Vegas, (iii) net revenues from student housing and dining facilities and parking facilities at the University of Nevada, Reno, and (iv) all grants, conditional or unconditional, from the United States of America, the State of Nevada (the "State") or any other donor which are specifically designated for the payment of the 2016A Bonds (collectively, the "Net Pledged Revenues") as described herein. The lien of the 2016A Bonds on the Net Pledged Revenues is on a parity with certain outstanding bonds of the System, as described herein, and any additional bonds issued in the future. See "INTRODUCTION – Security" and "SECURITY FOR THE BONDS." **The 2016A Bonds do not constitute a debt of the State or a debt or an indebtedness of the System within the meaning of any constitutional or statutory provision or limitation and shall not be considered to be a general obligation of the System or the State. The System has no 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, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

The 2016A Bonds are offered when, as, and if issued by the System, subject to the approval of the 2016A Bonds by Sherman & Howard L.L.C., Reno and Las Vegas, Nevada, Bond 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. It is expected that the 2016A Bonds will be available for delivery through the facilities of DTC on or about April 14, 2016.

Official Statement Dated March 17, 2016

MATURITY SCHEDULE
(CUSIP© 6-digit issuer number: 641496)

\$57,750,000
NEVADA SYSTEM OF HIGHER EDUCATION
UNIVERSITIES REVENUE BONDS
SERIES 2016A

Maturing (July 1)	Principal Amount	Interest Rate	Yield†	CUSIP© Issue Number	Maturing (July 1)	Principal Amount	Interest Rate	Yield†	CUSIP© Issue Number
2017	\$100,000	5.000%	0.640%	MS0	2028	\$2,815,000	4.000%	2.570% ⁽¹⁾	ND2
2018	100,000	5.000	0.860	MT8	2029	2,925,000	4.000	2.710 ⁽¹⁾	NE0
2019	100,000	5.000	1.060	MU5	2030	3,045,000	4.000	2.870 ⁽¹⁾	NF7
2020	1,630,000	5.000	1.270	MV3	2031	3,170,000	4.000	2.960 ⁽¹⁾	NG5
2021	2,440,000	4.000	1.410	MW1	2032	3,295,000	4.500	2.900 ⁽¹⁾	NH3
2022	2,545,000	4.000	1.570	MX9	2033	3,445,000	4.500	2.970 ⁽¹⁾	NJ9
2023	2,650,000	5.000	1.750	MY7	2034	3,600,000	4.500	3.040 ⁽¹⁾	NK6
2024	2,345,000	5.000	1.970	MZ4	2035	3,760,000	3.125	3.250	NL4
2025	2,470,000	5.000	2.120	NA8	2036	3,875,000	3.125	3.290	NM2
2026	2,595,000	5.000	2.240	NB6	2037	4,005,000	3.250	3.330	NN0
2027	2,715,000	3.500	2.440 ⁽¹⁾	NC4	2038	4,125,000	3.250	3.370	NP5

(1) Priced to the par call on July 1, 2026.

† Provided by Citigroup Global Markets Inc., the initial purchaser of the 2016A Bonds. See “UNDERWRITING.”

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 2016A Bonds 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 2016A Bonds, 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 2016A Bonds.

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 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 2016A Bonds 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 2016A Bonds and may not be reproduced or used in whole or in part for any other purpose.

The 2016A Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The 2016A Bonds 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 2016A BONDS ARE OFFERED TO THE PUBLIC BY THE INITIAL PURCHASERS OF THE 2016A BONDS (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 INITIAL PURCHASERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2016A BONDS, THE INITIAL PURCHASERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2016A BONDS 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

BOARD OF REGENTS

Rick Trachok, Chairman

Michael B. Wixon, Vice Chairman

Andrea Anderson

Cedric Crear

Robert Davidson

Mark W. Doubrava

Jason Geddes

Trevor Hayes

James Dean Leavitt

Sam Lieberman

Kevin C. Melcher

Kevin Page

Allison Stephens

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

President, UNR: Marc Johnson

President, UNLV: Len Jessup

Vice President for Administration and Finance, UNR: Ronald M. Zurek

Senior Vice President for Finance and Business, UNLV: Gerry Bomotti

BOND AND SPECIAL COUNSEL

Sherman & Howard L.L.C.

Las Vegas and Reno, Nevada

FINANCIAL ADVISOR

JNA Consulting Group, LLC

Boulder City, Nevada

PAYING AGENT AND REGISTRAR

U.S. Bank National Association

Phoenix, Arizona

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General.....	1
The Issuer.....	1
Purpose.....	2
Authority for Issuance	2
The 2016A Bonds; Prior Redemption	2
Security	2
Professionals	5
Continuing Disclosure Undertaking	5
Tax Matters	6
Additional Information	6
CERTAIN RISK FACTORS	6
No Mortgage or Lien Interests Secure the 2016A Bonds.....	7
Future Capital Expenditures; Additional Bonds	7
Risks Related to System Operations.....	7
Future Changes in Laws or Regulations	8
Limitations on Remedies Available to 2016A Bond Owners.....	9
Forward-Looking Statements	10
Secondary Market	10
SOURCES AND USES OF FUNDS	11
Sources and Uses of Funds	11
The Refunding Project	11
Verification of Mathematical Computations	11
THE 2016A BONDS	12
General.....	12
Payment Provisions.....	12
Prior Redemption.....	13
Tax Covenant.....	13
Defeasance	14
Book-Entry Only System.....	14
SECURITY FOR THE 2016A BONDS	15
Special, Limited Obligations	15
Pledged Revenues	15
Student Fees	15
UNLV Facilities Revenues	17
UNR Facilities Revenues.....	20
Pro-Forma Debt Service Coverage	20
Additional Bonds	21
THE SYSTEM	24

General.....	24
The Board of Regents	24
Administrative Officers	25
Employees.....	26
Academic Year	27
Admissions Policy	27
Tuition.....	27
Competition for Students	28
Millennium Scholarship Program	28
Student Body – The Universities	29
Student Financial Aid – The Universities	32
DEBT STRUCTURE.....	33
Outstanding Parity Lien Bonds	33
Other Obligations of the System.....	33
Authorized But Unissued Obligations	34
Contemplated Projects for the Universities.	34
Debt Service Requirements	35
SYSTEM FINANCIAL INFORMATION	36
Financial Management.....	36
Budget.....	36
Sources of Funds.....	40
Financial Statements and Historical Financial Information	41
Investment Policy	43
Liability Insurance	44
Retirement Plans and Other Post-Employment Benefits	44
LEGAL MATTERS.....	49
Litigation.....	49
Approval of Certain Legal Proceedings.....	49
Police Power	49
Sovereign Immunity	49
TAX MATTERS.....	50
Federal Tax Matters	50
State Tax Exemption.....	52
RATINGS	52
INDEPENDENT ACCOUNTANTS	52
FINANCIAL ADVISOR	52
UNDERWRITING	53
OFFICIAL STATEMENT CERTIFICATION.....	53

APPENDIX A	Audited Financial Statements of the System as of and for the Year Ended June 30, 2015	A-1
APPENDIX B	State Financial, Economic and Demographic Information.....	B-1
APPENDIX C	Summary of Certain Provisions of the Bond Resolution.....	C-1
APPENDIX D	Book-Entry Only System.....	D-1
APPENDIX E	Form of Bond Counsel Opinion.....	E-1
APPENDIX F	Form of Continuing Disclosure Certificate.....	F-1

INDEX OF TABLES

NOTE: Tables marked with an (*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended. See Appendix F – Form of Continuing Disclosure Certificate.

	<u>Page</u>
Outstanding Prior Parity Bonds	4
Sources and Uses of Funds	11
*Student Registration Fees Per Credit Hour Per Semester	16
*Five-Year Summary of Net Pledged Revenues and Debt Service Coverage	21
*Applications and Admissions - UNR.....	29
*Applications and Admissions - UNLV	30
*Enrollment and Residency Status - UNR.....	30
*Enrollment and Residency Status - UNLV	30
*FTE Enrollment - UNR.....	31
*FTE Enrollment - UNLV	31
*Student Financial Aid - 2014-15	32
*Outstanding Parity Lien Bonds.....	33
Debt Service Requirements.....	35
*Budget Summary of Appropriated Funds	39
*Statements of Revenues, Expenses and Changes in Net Assets (in thousands)	42

OFFICIAL STATEMENT

\$57,750,000

NEVADA SYSTEM OF HIGHER EDUCATION UNIVERSITIES REVENUE BONDS SERIES 2016A

INTRODUCTION

General

This Official Statement, which includes the cover page, the inside cover page and the appendices, provides information concerning the Nevada System of Higher Education (the “System”), its \$57,750,000 Nevada System of Higher Education, Universities Revenue Bonds, Series 2016A (the “2016A Bonds”). The Official Statement also includes certain information concerning the University of Nevada, Reno (“UNR”), the University of Nevada, Las Vegas (“UNLV”) (collectively, UNR and UNLV are referred to as the “Universities”), and the State of Nevada (the “State” or “Nevada”). The 2016A Bonds will be issued pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Regents of the System (the “Board”) on March 4, 2016.

The offering of the 2016A Bonds 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 2016A Bonds. 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, the inside 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 2016A Bonds will be used to: (i) refund certain of the System's outstanding obligations (the "Refunding Project"); and (ii) pay the costs of issuing the 2016A Bonds. See "SOURCES AND USES OF FUNDS," for more detailed descriptions of the Refunding Project.

Authority for Issuance

The 2016A Bonds will be issued pursuant to the Bond Resolution and under authority granted by Nevada Revised Statutes ("NRS") Sections 396.809 through 396.885 (the "Bond Act"), and by Chapter 501, Statutes of Nevada 1991, as amended by Chapter 93, Statutes of Nevada 1995, as amended by SB 584, Statutes of Nevada 2001, as further amended by SB 413, Statutes of Nevada 2003, as further amended by AB 534, Statutes of Nevada 2005 as further amended by SB 455, Statutes of Nevada 2007(collectively, the "Project Act").

The 2016A Bonds; Prior Redemption

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

The 2016A Bonds are subject to redemption prior to maturity at the option of the System as described in "THE 2016A Bonds – Prior Redemption."

Security

Special Limited Obligations. The 2016A Bonds are special, limited obligations of the System payable from certain "Net Pledged Revenues" described in the following paragraph. The 2016A Bonds do not constitute a debt or an indebtedness of the System within the meaning of any constitutional or statutory provision or limitation and are not general obligations of the System or general, special or other obligations of the State. The owner of any 2016A Bond may not look to any general or other fund of the System for the payment of the 2016A Bonds except the special funds pledged for the 2016A Bonds. *The System does not pledge its full faith and credit for the payment of the 2016A Bonds. The System has no taxing power.* See "SECURITY FOR THE BONDS."

Net Pledged Revenues. The 2016A Bonds are payable solely out of and secured by an irrevocable pledge of certain income derived from: (i) the gross fees collected from students attending the Universities, which fees are commonly designated as the General Fund Fee, the Capital Improvement Fee, the Student Union Capital Improvement Fee and the General Improvement Fee (collectively, the "Student Fees"), (ii) the gross revenues derived from or

otherwise pertaining to the operation of certain special event facilities located on the UNLV campus (known as the Thomas and Mack Center, the Cox Pavilion, and the Sam Boyd Stadium), the operation of all System-owned student housing facilities, dining facilities and parking facilities, whether or not presently existing, situated on the campus of UNLV, after the deduction of the expenses of operation and maintenance of such facilities (other than salaries and the costs of utility services) (collectively, the “UNLV Facilities Revenues”), (iii) the gross revenues derived from or otherwise pertaining to the operation of all System-owned student housing facilities, dining facilities and parking facilities, whether or not presently existing, situated on the campus of UNR, after the deduction of the expenses of operation and maintenance of such facilities (other than salaries and the costs of utility services) (collectively, the “UNR Facilities Revenues”), and (iv) all grants, conditional or unconditional, from the United States of America, the State of Nevada, or any other donor for the payment of the 2016A Bonds, if any (the “Grant Revenues”) (collectively, the “Net Pledged Revenues”). *Other funds of the Universities, including tuition and summer school fees, are not pledged to pay the 2016A Bonds.* See “SECURITY FOR THE BONDS.” Only non-resident students are charged tuition in addition to a registration fee. See “THE SYSTEM – Tuition.”

Parity Lien Bonds. As of March 1, 2016, the System has outstanding \$417,675,000 aggregate principal amount of bonds with a lien on the Net Pledged Revenues that is on a parity with the lien thereon of the 2016A Bonds (the “Prior Parity Bonds”). The following table illustrates the outstanding Prior Parity Bonds before taking the issuance of the 2016A Bonds into account.

Outstanding Prior Parity Bonds⁽¹⁾

<u>Name of Issue</u>	<u>Amount Outstanding</u>
Universities Revenue Bonds, Series 2008A (the “2008A Bonds”) ⁽¹⁾	\$52,150,000
Universities Revenue Bonds, Series 2009A (the “2009A Bonds”) ⁽¹⁾	14,625,000
Universities Revenue Bonds, Series 2010A (Taxable BABS) (the “2010A Bonds”)....	28,860,000
Universities Revenue Bonds, Series 2010B (Tax-Exempt”) (the “2010B Bonds”).....	1,385,000
Universities Revenue Bonds, Series 2011A (the “2011A Bonds”).....	32,880,000
Universities Revenue Bonds, Series 2012A (the “2012A Bonds”).....	25,965,000
Universities Revenue Bonds, Series 2012B (Taxable) (the “2012B Bonds”).....	3,340,000
Universities Revenue Bonds, Series 2013A (the “2013A Bonds”).....	35,065,000
Universities Revenue Bonds, Series 2013B (the “2013B Bonds”)	105,300,000
Universities Revenue Bonds, Series 2014A (the “2014A Bonds”).....	49,170,000
Universities Revenue Bonds, Series 2015A (the “2015A Bonds”).....	61,455,000
Universities Revenue Bonds, Series 2015B (the “2015B Bonds”)	<u>7,480,000</u>
TOTAL	\$417,675,000

(1) Does not take the issuance and refunding impact of the 2016A Bonds into account.

Source: The System.

The Prior Parity Bonds and the 2016A Bonds will be on a parity with any additional bonds of the System issued with a parity lien on the Net Pledged Revenues (collectively with the Prior Parity Bonds and the 2016A Bonds, the “Parity Lien Bonds”). See “SECURITY FOR THE BONDS – Additional Bonds” and “DEBT STRUCTURE – Authorized But Unissued Obligations.”

Additional Bonds. The System has covenanted not to issue any additional bonds having a lien on the Net Pledged Revenues prior or superior to that of the Parity Lien Bonds. Additional bonds or other obligations having a lien on the Net Pledged Revenues on a parity with the Parity Lien Bonds (“Additional Parity Bonds”) or having a lien thereon which is subordinate to the lien of the Parity Lien Bonds may be issued upon certain conditions set forth in the resolutions authorizing the issuance of the Parity Lien Bonds.

See “SECURITY FOR THE BONDS – Additional Bonds” and Appendix C – Summary of Certain Provisions of the Bond Resolution. See “DEBT STRUCTURE – Authorized But Unissued Obligations” for a description of the System’s plans for issuance of other Additional Parity Bonds as well as a description of the current legal limitations on the issuance of Additional Parity Bonds.

Other Outstanding Obligations. The System has outstanding other obligations that are payable from any legally available System revenues (which may include Net Pledged Revenues remaining after the payment of the Parity Lien Bonds). These include (i) numerous

promissory notes issued pursuant to various loan agreements (collectively, the “Notes”); (ii) the System’s Tax-Exempt Certificates of Participation, Series 2006A (the “2006A Certificates”); (iii) the System’s Certificates of Participation, Series 2014A (the “2014A Certificates”); and (iv) the System’s Certificates of Participation, Series 2016A (the “2016A Certificates”). The Notes, the 2006A Certificates, the 2014A Certificates and the 2016A Certificates are payable from legally available System revenues, which may include any Net Pledged Revenues remaining after payment of debt service on the Parity Lien Bonds. The System also anticipates issuing its Certificates of Participation, Series 2016B (the “Series 2016B Certificates”) in March 2016 which will also be payable from legally available System revenues. However, none of these obligations has a lien on the Net Pledged Revenues or any other System revenues. See “DEBT STRUCTURE – Other Obligations of the System.”

Professionals

Sherman & Howard L.L.C., Reno and Las Vegas, Nevada has acted as Bond Counsel and also has acted as Special Counsel to the System in connection with preparation of this Official Statement. The System’s financial advisor in connection with the 2016A Bonds is JNA Consulting Group, LLC, Boulder City, Nevada. See “FINANCIAL ADVISOR.” 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 registrar and paying agent for the 2016A Bonds (the “Registrar” and “Paying Agent”) 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 2016A Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the 2016A Bonds and the System will covenant in the Bond Resolution to comply with its terms. The Disclosure Certificate will provide that so long as the 2016A Bonds 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 specified 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 Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2016A Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2016A Bonds (the “Tax Code”) and interest on the 2016A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See “TAX MATTERS – Federal Tax Matters.”

Under the laws of the State in effect as of the date of delivery of the 2016A Bonds, the 2016A Bonds, 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 2016A Bonds and the Bond Resolution; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the System, the Board, the Refunding Project, the Net Pledged Revenues, the 2016A Bonds and the Bond Resolution are included in this Official Statement. All references herein to the 2016A Bonds, the Bond Resolution 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 Bond Resolution. *This Official Statement speaks only as of its date, and the information contained herein is subject to change.*

Copies of the Bond Resolution, the 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

JNA Consulting Group, LLC
410 Nevada Way
Suite 200
Boulder City, NV 89005
Telephone: (702) 294-5100.

CERTAIN RISK FACTORS

The purchase of the 2016A Bonds involves special risks and the 2016A Bonds 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 2016A Bonds and could affect the market price of the 2016A Bonds 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 2016A Bonds. 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.

No Mortgage or Lien Interests Secure the 2016A Bonds

The 2016A Bonds are not secured by any encumbrance, mortgage or other pledge of property of the System or the Board, except for the Net Pledged Revenues and any moneys pledged in the future for payment of the 2016A Bonds. For a discussion of existing liens on the Net Pledged Revenues, see “DEBT STRUCTURE.”

Future Capital Expenditures; Additional Bonds

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 Parity Bonds to fund capital expenditures in the future. See “DEBT STRUCTURE – Authorized But Unissued Obligations.”

The System may issue Additional Parity Bonds at any time legal requirements are met. Upon the satisfaction of all legal requirements, the System also may refund outstanding Notes, the 2006A Certificates, the 2014A Certificates or the 2016A Certificates, which do not currently have a lien on the Net Pledged Revenues, as Additional Parity Lien Bonds. Issuance of Additional Parity Bonds will dilute the Net Pledged Revenues available to pay debt service on the 2016A Bonds and the Prior Parity Bonds.

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 2016A Bonds 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. No assurances can be given that these or other sources of revenues will be adequate to meet the expenses of the System while the 2016A Bonds are outstanding.

Admission and Enrollment Trends. The 2016A Bonds and the Prior Parity Bonds primarily are secured by the Student Fees and other Net Pledged Revenues; those revenue sources are dependent upon student enrollment figures. Accordingly, any circumstances that significantly reduce the number of students at the Universities may negatively impact Net Pledged Revenues and the ability of the System to pay debt service on its outstanding bonds.

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. See “SECURITY FOR THE BONDS – Student Fees – Student Registration Fees,” “THE SYSTEM – Student Body” and “Student Financial Aid.”

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 Net Pledged Revenues 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. 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 2016A Bond Owners

No Acceleration. There is no provision for acceleration of maturity of the principal of the 2016A Bonds in the event of a default in the payment of principal of or interest on the 2016A Bonds. Consequently, remedies available to the owners of the 2016A Bonds 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 2016A Bonds and the obligations incurred by the System in issuing the 2016A Bonds 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 2016A Bonds 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 2016A Bonds 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 owners of 2016A Bonds upon an event of default under the Bond Resolution 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 Bond Resolution may not be readily available or may be limited.

Other Potential Limitations on Rights of 2016A Bond Owners. The 2016A Bonds are secured by a pledge of and a lien on the Net Pledged Revenues on a parity with the lien thereon of the Prior Parity Bonds and any Additional Parity Bonds. That lien is intended to be prior to any other security interest in, lien on or pledge of the Net Pledged Revenues. However, in addition to the limitations discussed above, that lien may be subject to or limited by other factors, including without limitation statutory liens, and rights arising in favor of the United States of America or any agency thereof (including federal tax liens or other federal liens existing in the future).

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 2015 or amounts budgeted for fiscal year 2015 (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 – Certain Financial Information-State General Fund and – Recent and Current State Budgets, 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 2016A Bonds.

Secondary Market

No assurance can be given that a secondary market for the 2016A Bonds will be maintained by the successful bidders for the 2016A Bonds (the “Initial Purchaser”) or by any other entity. Prospective purchasers of the 2016A Bonds should therefore be prepared to bear the risk of the investment represented by the 2016A Bonds 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

	<u>Amount</u>
<u>SOURCES:</u>	
Principal amount.....	\$57,750,000
Plus: net original issue premium	5,957,259
System contribution	<u>935,000</u>
Total	\$64,642,259
 <u>USES:</u>	
The Refunding Project.....	\$64,034,945
Costs of issuance (including underwriting discount).....	<u>607,314</u>
Total.....	\$64,642,259

Source: The Financial Advisor.

The Refunding Project

A portion of the 2016A Bond proceeds will be used to advance refund (a) the Nevada System of Higher Education, Universities Revenue Bonds, Series 2008A maturing on or after July 1, 2020 (the “2008A Refunded Bonds”), and (b) the Nevada System of Higher Education, Universities Revenue Bonds, Series 2009A maturing on or after July 1, 2021 (the “2009A Refunded Bonds”).

To accomplish the Refunding Project, the System will deposit a portion of the 2016A Bond 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 2016A Bonds. The amounts deposited with the Escrow Agent will be deposited into the escrow account created under the Bond Resolution and will be invested in federal securities maturing at such times and in such amounts as required to provide funds sufficient to pay the principal and interest on the 2008A Refunded Bonds and 2009A Refunded Bonds upon prior redemption on July 1, 2018 and January 1, 2019, respectively.

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 2016A Bonds, 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 2008A Refunded Bonds and 2009A Refunded Bonds.

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.

THE 2016A BONDS

General

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

Payment Provisions

Interest on the 2016A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2016. Interest will be paid by the Paying Agent on or before the interest payment date (or if such day is not a business day, on the next succeeding business day) to the person in whose name each 2016A Bond is registered (*i.e.*, Cede & Co.) on the 15th day of the calendar month preceding the interest payment date (the “Regular Record Date”) as described below, at the address shown on the registration records maintained by the Paying Agent as of the close of business on the Regular Record Date. However, if there is a default in payment or provision of interest due with respect to a 2016A Bond on any interest payment date, such interest thereafter will be paid to the registered owner of such 2016A Bond as of a special record date (the “Special Record Date”) to be established by the Registrar whenever moneys become available for payment of the defaulted interest. Such Special Record Date shall be fixed by the Paying Agent whenever monies become available for payment of the defaulted interest, and notice of the Special Record date shall be given to the registered owners of the 2016A Bonds not less than ten days prior thereto by first-class mail to each such registered owner as shown on the Registrar’s registration records on a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. Principal of the 2016A Bonds will be payable at maturity or upon prior redemption at the principal operations office of the Paying Agent (or at such other office designated by the Paying Agent) upon presentation and surrender thereof. Any 2016A Bond not paid upon presentation and surrender at or after maturity or prior redemption shall continue to draw interest at the rate stated in the 2016A Bond until the principal is paid in full. All such payments of principal and interest shall be made in lawful money of the United States of America. Payments to beneficial owners are to be made as described below in “Book-Entry Only System.”

Notwithstanding the foregoing, payments of the principal and interest on the 2016A Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the registered owner of the 2016A Bonds. Disbursement of such payments to DTC’s Participants (defined in Appendix D) is the responsibility of DTC, and

disbursements of such payments to the Beneficial Owners (defined in Appendix D) is the responsibility of DTC's Participants and the Indirect Participants (defined in Appendix D), as more fully described herein. See "Book-Entry Only System" below.

Prior Redemption

Optional Redemption. The 2016A Bonds (or portions thereof in the amount of \$5,000 or any integral multiple thereof), maturing on and after July 1, 2027, will be subject to redemption prior to their respective maturities, at the option of the System, on and after July 1, 2026, in whole or in part at any time from such maturities selected by the Vice Chancellor for Finance and, if less than all of the 2016A Bonds of a maturity are to be redeemed, the 2016A Bonds of such maturity are to be redeemed by lot, at a price equal to the principal amount of each 2016A Bond, or portion thereof so redeemed, plus accrued interest thereon to the redemption date, without premium.

Redemption Procedures. Unless waived by any registered owner of a 2016A Bond to be redeemed, notice of prior redemption shall be given by the Registrar, by first class, postage prepaid mail, at least 30 days but not more than 60 days prior to the Redemption Date, to the Municipal Securities Rulemaking Board (the "MSRB"), the registered owner of any 2016A Bond (initially Cede & Co.) all or a part of which is called for prior redemption at his address as it last appears on the registration records kept by the Registrar. The notice shall identify the 2016A Bonds 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 Bond Resolution), and that after such Redemption Date interest will cease to accrue. After such notice and presentation of said 2016A Bonds, the 2016A Bonds called for redemption will be paid. Actual receipt of mailed notice by the MSRB and any registered owner of 2016A Bonds shall not be a condition precedent to redemption of such 2016A Bonds. Failure to give such notice by mailing to the MSRB and the registered owner of any 2016A Bond designated for redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other 2016A Bond.

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

Tax Covenant

The System covenants for the benefit of the holders of the 2016A Bonds that it will not take any action or omit to take any action with respect to the 2016A Bonds, the proceeds thereof, any other funds of the System, or any facilities financed with the proceeds of the 2016A Bonds if such action or omission would (i) cause interest on the 2016A Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) cause interest on the 2016A Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations

under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2016A Bonds until the date on which all obligations of the System in fulfilling the above-described covenant have been met.

Defeasance

When all Bond Requirements of any 2016A Bond or any other securities of any other issue payable from Net Pledged Revenues have been duly paid, the pledge and lien and all obligations hereunder shall thereby be discharged as to such issue of securities and they shall no longer be deemed to be Outstanding within the meaning of the Bond Resolution. There shall be deemed to be such due payment if the System has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities (defined in Appendix C) in which such amount wholly or in part may be initially invested) to meet all Bond Requirements (defined in Appendix C) of the securities issue, as such requirements become due to the fixed maturity dates of the securities or to any Redemption Date or Redemption Dates as of which the System shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the securities thereafter maturing for payment then. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the System and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. If at any time the System has so placed in escrow or trust any amount so sufficient to pay designated Bond Requirements of securities constituting less than all of the Bond Requirements of the securities becoming due on and before their respective due dates, be they the fixed maturity dates of the securities or any such Redemption Date pertaining to the securities, such designated Bond Requirements shall be deemed paid and discharged under the Bond Resolution.

Book-Entry Only System

The 2016A Bonds 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 2016A Bonds. The ownership of one fully registered 2016A Bond 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 2016A Bonds, 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 Registrar/Paying Agent 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 2016A Bonds as further described in Appendix D to this Official Statement.

SECURITY FOR THE 2016A BONDS

Special, Limited Obligations

The 2016A Bonds are special, limited obligations of the System payable solely from and secured by a prior lien on the Net Pledged Revenues. The 2016A Bonds will not be considered or held to be a general obligation of the Board or the System or a debt or obligation of the State, nor do they constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation.

Pledged Revenues

The 2016A Bonds are payable solely from and are secured by an irrevocable pledge of the Net Pledged Revenues, comprised of certain income derived from (i) Student Fees (which do not include tuition payable by nonresident students, any fees collected during summer sessions, certain registration fees, or fees collected at the Community Colleges or Nevada State College), which fees are designated as the General Fund Fee, the Capital Improvement Fee, the Student Union Capital Improvement Fee and the General Improvement Fee, (ii) the UNLV Facilities Revenues, (iii) the UNR Facilities Revenues, and (iv) the Grant Revenues. The primary Net Pledged Revenue categories are discussed below.

Student Fees

Student Registration Fees. 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).

Student Registration Fees Per Credit Hour Per Semester⁽¹⁾

<u>UNDERGRADUATE FULL-TIME</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
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	<u>14.42</u>	<u>16.56</u>	<u>19.63</u>	<u>19.63</u>	<u>21.33</u>
	\$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	<u>14.42</u>	<u>16.56</u>	<u>19.63</u>	<u>19.63</u>	<u>21.80</u>
	\$156.75	\$171.00	\$191.50	\$191.50	\$199.25
<u>GRADUATE FULL-TIME</u>					
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	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
	\$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	<u>27.12</u>	<u>27.12</u>	<u>33.24</u>	<u>33.24</u>	<u>33.24</u>
	\$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.

UNLV Facilities Revenues

Special Event Facilities. The UNLV Facilities Revenues consist in part of gross revenues derived from or otherwise pertaining to the operation of UNLV's special event facilities after the deduction of expenses of operation and maintenance of those facilities (other than salaries and the costs of utility services). The special event facilities include Thomas and Mack, the Cox Pavilion and Sam Boyd Stadium. Thomas and Mack is a multi-purpose pavilion constructed on the UNLV campus in 1983. Thomas and Mack, which seats 18,500, houses many of the intercollegiate athletic offices as well as a portable basketball court and concession stands. Various sporting events, concerts, rodeos and miscellaneous University events are held in Thomas and Mack. The Cox Pavilion, which opened in the spring of 2001, is a 3,000 seat venue adjacent to Thomas and Mack. Cox Pavilion houses UNLV's volleyball and women's basketball program. It is also used for academic functions, concerts, trade shows and other functions. Sam Boyd Stadium was constructed in 1971 and currently seats 32,000. The venue is the home to UNLV's football team and also houses concerts and motor sport events. See "University of Nevada, Las Vegas Campus Improvement Authority" below for a discussion of speculation relating to stadium proposals.

UNLV engaged in a comprehensive planning process to assess Thomas and Mack and develop some options for facility improvements and modernization to ensure that it remains a high-quality, attractive and in-demand facility for UNLV Athletics and events. UNLV's planning process resulted in a plan for a \$71.2 million scope of work including infrastructure and facility improvements and modernization. Infrastructure improvements planned include replacement, improvement and enhancements to efficiency in items such as mechanical, plumbing, lighting and electrical systems/service, data service/distribution, event services/support infrastructure items, elevator and accessibility upgrades, energy performance and sustainability improvements and improvements to life safety systems, such as sprinklers, smoke control and fire alarm systems, among other systems/items. Facility modernization improvements and repairs planned include improvements such as seating replacements, concourse and portal improvements to improve interior access, movement and safety, exterior building access improvements, replacement events sound systems, refinishing or replacement of flooring systems/stages, facility operation and service improvements, upgrades to

ADA/accessibility items/systems to meet current standards, among other items. Phased construction began in the fall of 2014 with completion scheduled for fall of 2016.

UNLV's special event facilities compete with certain private venues in the Las Vegas area to attract non-university events, such as concerts and certain sporting events. Additional private venues that compete with UNLV's special event facilities may be constructed in the future. If constructed, any such arena would compete directly with UNLV facilities, particularly Thomas and Mack. Thomas and Mack has remained competitive with other competing venues constructed over the past 30 years. However, to the extent that such venues offer more competitive pricing or amenities not offered at UNLV's venues in the future, rental activity at UNLV's special event facilities (and resulting facilities revenues) may decline or UNLV may determine to lower its rates, in which case UNLV Facilities Revenues may decline.

University of Nevada, Las Vegas Campus Improvement Authority. UNLV had been working with a private developer to investigate the feasibility of a project defined as "UNLVNow" which consisted of an approximately 60,000 seat event center and 'student village' component which would consist of retail space and student housing. In early 2013, UNLV separated from its private partner and during the 2013 legislative session, the Nevada Legislature passed Assembly Bill 335 establishing the University of Nevada, Las Vegas, Campus Improvement Authority (the "Authority"). The Authority was established as a political subdivision by the State Legislature to study the need for and feasibility of a large events center on the UNLV campus and, should the Authority determine that such a facility is needed and is feasible, the Authority may develop recommendations for type, general design, approximate number of seats, and other factors to be included in the structure. Based on these recommendations, the Authority was also authorized to prepare preliminary cost estimates for construction and general infrastructure and improvements in addition to study feasible financing alternatives. The results of the Authority's studies and its recommendations were to be reported to the Legislative Counsel Bureau by September 30, 2014, for consideration by the 2015 Legislature. The Authority requested an extension of the timeline for its work. The Authority's final report and recommendations were presented for discussion during the 2015 Nevada Legislative Session. The 2015 Legislature passed Assembly Bill 451 extending the life of the Authority to October 2017 allowing the Authority to continue its work through the 2017 Nevada Legislative Session.

The Authority's final report presented during the 2015 Legislative Session did not include a recommendation to publicly fund a stadium. However, since submission of the report, UNLV updated its campus master plan to include a 42-acre parcel on Tropicana Avenue (the "Tropicana Parcel") west of the UNLV campus and certain property owned by Clark County (the "County Property"). The Tropicana Parcel was purchased by UNLV in December 2015 and such property is included within the boundaries of the Campus Improvement Authority. The master plan update approved by the Board in December 2015 outlined potential uses of the Tropicana Parcel and County Property including a campus village and a stadium. Both options assume that the County Land could also be acquired in order to provide connectivity between the UNLV campus and the Tropicana Parcel. While the possible replacement of Sam Boyd stadium is contemplated in the UNLV master plan, the discussions regarding the possible additional or alternative use of the stadium by an NFL team developed after the NFL's decision to not allow the Oakland Raiders franchise to relocate to Los Angeles. Since then, that franchise has expressed interest in finding another location and Las Vegas has been mentioned as a

possibility. Despite such speculation, the NFL has previously voiced concerns about locating a franchise in Las Vegas and the owners of the NFL would need to review and approve any new proposal. Additionally, the Board would need to approve the final use for the Tropicana Parcel and a stadium is only one of several alternatives under consideration by the Board.

Southern Nevada Tourism Infrastructure Committee. On July 6, 2015, Governor Sandoval signed an executive order forming the Southern Nevada Tourism Infrastructure Committee (“the Committee”) to prioritize tourism improvement projects in Southern Nevada. The Committee is tasked with evaluating existing public and private convention and entertainment facilities, including existing and proposed sports stadiums and large-scale entertainment facilities and make recommendations regarding the need and viability of new facilities and to identify and analyze funding for tourism infrastructure improvement projects. The Committee shall make recommendations in a report to the Governor and the Interim Finance Committee of the Nevada Legislature on or before July 31, 2016. The Committee will then expire unless further directed by the Governor.

Student Housing and Dining Facilities. The UNLV Facilities Revenues also include gross revenues derived from or otherwise pertaining to the operation of all System-owned student housing and dining facilities, whether or not presently existing, situated on the campus of UNLV, after the deduction of the expenses of operation and maintenance of such housing and dining facilities (other than salaries and the cost of utility services). UNLV currently has eleven resident halls and a separate dining commons. The residence halls have an aggregate capacity, based on the current configuration, of 1,770 students and can vary depending on single/double configurations and staff assignments. During the fall 2015 term, the residence halls had 1,711 student residents, an increase of 131 students or 2% from 1,680 residents in fall 2014. For fall 2015, students were charged between \$2,700 and \$2,940 for room (double occupancy depending on facility) and between \$1,925 and \$2,425 per semester for board, depending on the meal plan chosen. Room and board fees were unchanged for fall 2015 term from fall 2014 and are not expected to increase for fall 2016. Board fees will increase for fall 2016

UNLV collects the full charge at the beginning of the semester unless students have enrolled in a deferred payment plan which allocates payments monthly through the end of each semester. Customers who are not on-campus residents may use the dining facilities but are charged different rates depending on the number of meals purchased per week.

Parking Facilities. The UNLV Facilities Revenues also include gross revenues derived from or otherwise pertaining to the operation of all University-owned parking facilities, whether or not presently existing, situated on the campus of UNLV, after the deduction of the expenses of operation and maintenance of such parking facilities (other than salaries and the cost of utility services). Currently, UNLV has 36 parking lots/structures of various sizes with 12,847 total parking spaces available. Parking fees are based upon status (*i.e.*, student, faculty/staff, resident in on-campus housing or vendor) and whether spaces are reserved. Annual parking fees for fall 2015 were \$137 for students and \$274 for faculty/staff, an increase of 9.6% from fall 2014, the first increase since fall 2009. Rates are expected to remain unchanged for fall 2016 and fall 2017, then increase by 9.5% in fall 2018 to \$150 for students and to \$300 for faculty and staff.

UNLV has entered into an agreement with a private developer to lease with the option to purchase a parking structure that will provide an additional 610 parking spaces for UNLV's exclusive use on the east side of Maryland Parkway in an area central to the campus with high parking demand. The agreement was approved by the Board of Regents in December 2014, construction has commenced and delivery of the project to UNLV is expected in January 2017.

UNR Facilities Revenues

Student Housing and Resident Dining Facilities. The UNR Facilities Revenues include gross revenues derived from or otherwise pertaining to the operation of all System-owned student housing and dining facilities, whether or not presently existing, situated on the campus of UNR, after the deduction of the expenses of operation and maintenance of such facilities (other than salaries and the cost of utility services). UNR has nine residence halls and a separate resident dining facility. The nine residence halls have a design capacity of 2,375 students. During the 2013 fall term, the residence halls were at 115% occupancy. In 2010 through 2013, UNR accommodated excess students by converting double rooms to triples and single rooms to doubles for temporary overflow housing. A new 320-bed living/learning community student resident hall, funded with bond proceeds, opened on the UNR campus for fall 2012 occupancy. Current occupancy is 114%. The dining facility is used primarily by the students residing on campus.

For fall 2015, students are being charged annual rates that are between \$4,950 and \$6,351 for room, depending upon the residence hall (double occupancy; single rooms and private double-sized rooms are more). For fall 2015, academic year meal plan rates are between \$3,819 and \$4,911. Fifty-five percent of meal plan costs is payable in the fall and forty-five percent is payable in the spring. Several board plans and à la carte dining are available to all students.

Parking Facilities. The UNR Facilities Revenues also include gross revenues derived from or otherwise pertaining to the operation of all System-owned parking facilities, whether or not presently existing, situated on the campus of UNR, after the deduction of the expenses of operation and maintenance of such parking facilities (other than salaries and the cost of utility services). Currently, UNR has 8,386 total parking spaces available in 6 permitted parking zones and various short-term parking areas on the campus. The parking spaces include permit required spaces, motorcycle spaces, parking meters and visitor spaces. Parking fees generally are based upon the zone for which a permit is purchased; zones are priced according to their proximity to certain campus buildings. Annual parking fees currently range from \$125 to \$400; permits for limited reserved spaces (available to the president, the provost, the deans and the vice presidents) are \$475 per year. Motorcycle permits also are available for \$50 per year. Visitor parking starts at \$1.50 per hour.

Pro-Forma Debt Service Coverage

The following table shows Net Pledged Revenues and pro-forma debt service coverage on the Parity Lien Bonds for each of the five fiscal years ending June 30, 2011 through June 30, 2015. Pro-forma debt service coverage is calculated by dividing the Net Pledged Revenues by the estimated Combined Maximum Annual Debt Service on the Parity Lien Bonds (after taking issuance of the 2016A Bonds into account). *There is no assurance that Net Pledged*

Revenues, or any component thereof, will be generated at the levels indicated in this table in the future. See “CERTAIN RISK FACTORS.”

Five-Year Summary of Net Pledged Revenues and Debt Service Coverage

	<u>Fiscal Year Ended June 30</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
STUDENT FEES					
UNR General Fund Fees	\$37,204,203	\$42,990,665	\$45,639,173	\$54,659,508	\$59,142,253
UNLV General Fund Fees	54,623,519	58,178,442	60,760,271	72,860,714	76,572,382
UNR Capital Improvement and Student Union Capital Improvement Fees	4,880,065	5,476,428	5,726,809	5,961,390	7,105,852
UNLV Capital Improvement and Student Union Capital Improvement Fees	8,677,162	8,048,972	8,072,250	8,448,764	8,805,679
UNR General Improvement Fees	3,957,657	4,046,343	6,265,861	6,537,998	7,136,833
UNLV General Improvement Fees	<u>9,894,900</u>	<u>9,414,859</u>	<u>12,407,827</u>	<u>12,911,372</u>	<u>13,576,544</u>
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	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 ⁽²⁾	<u>3,566,230</u>	<u>3,326,392</u>	<u>3,379,302</u>	<u>3,725,544</u>	<u>3,501,722</u>
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 ⁽³⁾	9,972,878	8,705,678	11,354,954	11,682,333	12,236,561
Parking Facilities ⁽²⁾	<u>3,691,398</u>	<u>3,682,961</u>	<u>3,408,303</u>	<u>3,534,145</u>	<u>3,839,697</u>
Total UNR Facilities Revenues	13,664,276	12,388,639	14,763,257	15,216,478	16,076,258
NET PLEDGED REVENUES	\$160,283,396	\$168,029,061	\$181,978,784	\$205,994,807	\$221,392,774
Estimated Combined Maximum Annual Debt Service-Parity Lien Bonds ⁽⁴⁾	\$38,546,578	\$38,546,578	\$38,546,578	\$38,546,578	\$38,546,578
Coverage	4.16x	4.36x	4.72x	5.34x	5.74x

(1) Year-to-year increases are primarily a result of increased General Fund Fees. See “Student Fees” above.

(2) Parking revenues include revenues from parking permit sales, meters and fines.

(3) Housing operating expenses for fiscal year 2012 increased by approximately \$1.1 million due to special projects in the Housing division. UNR Dining and Housing Facilities revenues increased in fiscal year 2013 due to the opening of the UNR Living/Learning Center.

(4) The Combined Maximum Annual Debt Service on the Parity Lien Bonds (including the 2016A Bonds) is \$38,546,578 for the Bond Year ended July 1, 2016. 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.”

Source: The System.

Additional Bonds

General. Upon issuance of the 2016A Bonds and the refunding of the 2008A Refunded Bonds and 2009A Refunded Bonds, the Prior Parity Bonds and the 2016A Bonds will be outstanding in the aggregate principal amount of \$417,605,000. No Outstanding 2016A Bond or other securities heretofore or hereafter issued on a parity therewith has or will have any

priority over any other such bond or security with respect to the application of Net Pledged Revenues regardless of the time or times of issuance of such bonds or securities.

The Board may issue Additional Parity Bonds and also may issue bonds or other obligations which are subordinate to the 2016A Bonds subject to the provisions of the Bond Resolution. See “Additional Parity Bonds” below and Appendix C – Summary of Certain Provisions of the Bond Resolution-Additional Securities. The System currently has authorization to issue additional obligations as described in “DEBT STRUCTURE – Authorized But Unissued Obligations.” The Legislature may grant additional authorization at any time in the future.

Additional Parity Bonds. The System may issue Additional Parity Bonds upon satisfaction of the following conditions (except refunding bonds, which are subject to the requirements described in Appendix C - Summary of Certain Provisions of the Bond Resolution-Refunding Securities).

A. Absence of Default. At the time of the adoption of the instrument authorizing the issuance of the Additional Parity Bonds, the System shall not be in default in making any payments required by the Bond Resolution or the bond resolutions for the other Parity Lien Bonds.

B. Earnings Test. (1) The Net Pledged Revenues derived for either the Fiscal Year immediately preceding, or any 12 consecutive months of the 18 months immediately preceding, the date of the issuance of the Additional Parity Bonds, shall have been sufficient to pay an amount at least equal to 150% of the combined maximum annual principal and interest requirements (excluding amounts payable by virtue of the System’s exercise of a prior redemption option but taking into account mandatory sinking fund redemptions) to be paid during any one Bond Year ending on or before July 1, 2043, of the Outstanding Parity Lien Bonds and the bonds or other securities proposed to be issued (excluding any reserves therefor), except as otherwise expressly provided in the Bond Resolution; and (2) the Net Pledged Revenues, excluding from those revenues the proceeds of the General Fund Fees and the General Improvement Fees pertaining to the Universities, derived for the Fiscal Year immediately preceding, or any 12 consecutive months of the 18 months immediately preceding, the date of the issuance of the additional parity securities, shall have been sufficient to pay an amount at least equal to 110% of the combined maximum annual principal and interest requirements to be paid during any one Bond Year ending on or before July 1, 2043, of the Outstanding Parity Lien Bonds, and the securities proposed to be issued (excluding any reserves therefor), except as otherwise expressly provided in the Bond Resolution.

C. Adjustment of Pledged Revenues. (1) In any computation of the earnings test described in clause (2) of paragraph B above (but not in any computation of the earnings test described in clause (1) of paragraph B above) as to whether or not Additional Parity Bonds may be issued, the amount of the Net Pledged Revenues for the next preceding Fiscal Year shall be decreased and may be increased by the amount of loss or gain, respectively, estimated by the Vice Chancellor for Finance (defined in Appendix C) resulting from any change in any Student Fees based on the number of full time students (or the equivalent thereof) during the next preceding Fiscal Year, as if the schedule of such modified Student Fees had been in effect during the entire next preceding Fiscal Year, if such change shall have been made by the Board prior to

such computation of the designated earnings test but made in the same Fiscal Year as such computation or in the next preceding Fiscal Year.

(2) In addition, in any computation of the earnings test described in clause (2) of paragraph B above (but not in any computation of the earnings test described by clause (1) of paragraph B above), the amount of Net Pledged Revenues for the next preceding Fiscal Year may be increased by the revenues to be generated by the facilities constructed with the additional securities in the first fiscal year immediately succeeding the last fiscal year following the issuance of such additional parity securities in which interest on the additional parity securities is provided from the proceeds thereof as estimated by an independent consulting engineer or the Vice Chancellor for Finance.

D. Adjustment of Expenses. In any computation of the earnings test described in clause (2) of paragraph B above (but not in any computation of the earnings test described in clause (1) of paragraph B above), there also shall be deducted from or added to the amount of any operation and maintenance expenses pertaining to any income-producing Facilities of the Universities and pertaining to any Pledged Revenues any estimated decrease or increase, respectively, in such expenses that will result from the expenditure of the funds to be derived from the issuance and sale of the additional bonds or other additional securities.

E. Reduction of Annual Requirements. In any computation of the earnings tests described in clauses (1) or (2) of paragraph B above, the respective annual Bond Requirements (including the amount of any prior redemption premiums due on any Redemption Date as of which the System shall have exercised or shall have obligated itself to exercise its prior redemption option) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective Bond Years with monies held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

A written certification or written opinion by the Vice Chancellor for Finance that such annual revenues, when adjusted as described in paragraphs C, D and E above, are sufficient to pay such amounts, as described in paragraph B above, shall be conclusively presumed to be accurate in determining the right of the System to authorize, issue, sell and deliver additional bonds or other additional securities on a parity with the 2016A Bonds.

Superior Securities Prohibited; Subordinate Securities Permitted. The System may not issue additional bonds or other securities having a lien on the Pledged Revenues that is superior to the lien thereon of the Parity Lien Bonds.

The System may issue additional bonds or other securities payable from Pledged Revenues and having a lien thereon subordinate, inferior, junior to the lien thereon of the Parity Lien Bonds in accordance with the Bond Resolution.

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 only 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 100 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.

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 November, 2015, UNR employed approximately 1,915 faculty members and administrative personnel (1,650 full-time and 265 part-time) and approximately 1,034 classified employees (984 full-time and 50 part-time). As of November, 2015, UNLV employed approximately 3,204 faculty members and administrative personnel (2,207 full-time and 997 part-time) and approximately 955 classified employees (918 full-time and 37 part-time).

Classified staff of the Universities are employed under the provisions of the State's personnel system. Faculty and certain personnel employed in executive or administrative positions, however, 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.

Tuition

All System students pay registration fees (see "SECURITY FOR THE BONDS – Student 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. Revenues realized from tuition do not constitute Net Pledged Revenues.

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.

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 – The Universities

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

<u>Fall Term</u>	<u>Applications</u>	<u>Applicants Accepted</u>	<u>Enrolled</u>
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

<u>Fall Term</u>	<u>Applications</u>	<u>Applicants Accepted</u>	<u>Enrolled</u>
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

<u>Fall Term</u>	<u>Total Students</u>	<u>Residents</u>	<u>Percentage of Total</u>	<u>Non- Residents</u>	<u>Percentage of Total</u>
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

<u>Fall Term</u>	<u>Total Students</u>	<u>Residents</u>	<u>Percentage of Total</u>	<u>Non- Residents</u>	<u>Percentage of Total</u>
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.

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

<u>Fiscal Year</u>	<u>Undergraduate Annualized FTE</u>	<u>Graduate Annualized FTE</u>	<u>Total Annualized FTE</u>
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

<u>Fiscal Year</u>	<u>Undergraduate Annualized FTE</u>	<u>Graduate Annualized FTE</u>	<u>Total Annualized FTE</u>
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.

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

	<u>UNLV</u>	<u>UNR</u>	<u>Total</u>
TOTAL AWARDS OF FINANCIAL AID ⁽¹⁾	<u>54,275</u>	<u>44,785</u>	<u>99,060</u>
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 Parity Lien Bonds

As of March 1, 2016, the System has outstanding the following Parity Lien Bonds.

Outstanding Parity Lien Bonds

	<u>Original Amount</u>	<u>Amount Outstanding⁽¹⁾</u>	<u>Final Maturity</u>
2008A Bonds	60,135,000	52,150,000 ⁽¹⁾	07/01/38
2009A Bonds	18,140,000	14,625,000 ⁽¹⁾	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	<u>7,480,000</u>	<u>7,480,000</u>	07/01/26
Total	<u>\$458,125,000</u>	<u>\$417,675,000</u>	

(1) Does not reflect the impact of the Refunding Project. See "SOURCES AND USES OF FUNDS – The Refunding Project."

Source: The System.

Other Obligations of the System

The System also has outstanding certain existing or planned obligations which are not secured by Net Pledged Revenues. As of March 1, 2016, those obligations included the following: (1) the certificates of participation, currently outstanding in the aggregate principal amount of \$97,210,000; (2) outstanding \$73,668,387 and proposed \$27,840,000 aggregate principal amount of bank loans and leases. In March 2016, the System also anticipates issuing its Certificates of Participation, Series 2016B-C in an aggregate principal amount not to exceed \$51,500,000 to refinance on existing obligation of the System.

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.

Authorized But Unissued Obligations

General. Since 1999, the Legislature has authorized the issuance of obligations that are fully or partially payable from the Net Pledged Revenues for UNR, UNLV, Nevada State College and the Community Colleges. The legislative authorization for UNR and UNLV 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. The legislative authorization for Nevada State College may be used for student housing and parking. The legislative authorization for the Community Colleges may be used for student service facilities, classrooms and parking facilities. The total authorized for UNR since 1999 is \$348,360,000, the total authorized since 1999 for UNLV is \$422,155,000, the total authorized for Nevada State College since 1999 is \$20,000,000 and the total authorized for the Community Colleges since 1999 is \$65,000,000. Under current law, the authorization for UNR and UNLV to issue bonds expires on January 1, 2029 and the authorization for Nevada State College and the Community Colleges expire on June 13, 2022.

The current remaining legislative authorization for UNR is \$2,790,000. UNLV's current remaining legislative authorization is \$156,020,000. Neither Nevada State College nor the Community Colleges have issued any bonds; accordingly, the remaining legislative authorizations are \$20,000,000 and \$65,000,000, respectively. 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.

The Legislature may authorize the issuance of additional obligations payable from all or a part of the Net Pledged Revenues at any time in the future. Legislature also may authorize the issuance of additional obligations payable from revenues other than the 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 and the Community Colleges 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 Universities.

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.

Debt Service Requirements

The following schedule shows: (1) the debt service payable on the 2016A Bonds; (2) the debt service payable on the Prior Parity Bonds; and (3) the combined debt service on the 2016A Bonds and the Prior Parity Bonds. *The schedule shows debt service payable in each bond year ending July 1, not in the System's fiscal year.*

Debt Service Requirements⁽¹⁾

Fiscal Year Ending	2016A Bonds			Total Debt Service on Prior Parity Bonds ⁽⁴⁾⁽⁵⁾	Total Debt Service
<u>July 1⁽²⁾</u>	<u>Principal</u>	<u>Interest⁽³⁾</u>	<u>Total</u>		
2016	--	\$500,552	\$500,552	\$38,046,025	\$38,546,578
2017	\$100,000	2,340,244	2,440,244	32,718,284	35,158,528
2018	100,000	2,335,244	2,435,244	33,407,076	35,842,320
2019	100,000	2,330,244	2,430,244	33,539,894	35,970,138
2020	1,630,000	2,325,244	3,955,244	31,480,144	35,435,388
2021	2,440,000	2,243,744	4,683,744	29,560,044	34,243,788
2022	2,545,000	2,146,144	4,691,144	29,296,519	33,987,663
2023	2,650,000	2,044,344	4,694,344	29,396,849	34,091,193
2024	2,345,000	1,911,844	4,256,844	29,346,569	33,603,413
2025	2,470,000	1,794,594	4,264,594	28,607,514	32,872,108
2026	2,595,000	1,671,094	4,266,094	24,291,029	28,557,123
2027	2,715,000	1,541,344	4,256,344	23,049,309	27,305,653
2028	2,815,000	1,446,319	4,261,319	23,013,939	27,275,258
2029	2,925,000	1,333,719	4,258,719	22,984,939	27,243,658
2030	3,045,000	1,216,719	4,261,719	23,029,084	27,290,803
2031	3,170,000	1,094,919	4,264,919	21,981,824	26,246,743
2032	3,295,000	968,119	4,263,119	21,954,424	26,217,543
2033	3,445,000	819,844	4,264,844	20,690,839	24,955,683
2034	3,600,000	664,819	4,264,819	16,214,799	20,479,618
2035	3,760,000	502,819	4,262,819	16,168,109	20,430,928
2036	3,875,000	385,319	4,260,319	5,250,044	9,510,363
2037	4,005,000	264,225	4,269,225	5,198,864	9,468,089
2038	4,125,000	134,063	4,259,063	5,156,219	9,415,281
2039	--	--	--	5,100,964	5,100,964
2040	--	--	--	5,050,166	5,050,166
2041	--	--	--	2,849,225	2,849,225
2042	--	--	--	2,844,850	2,844,850
2043	--	--	--	2,847,625	2,847,625
2044	--	--	--	--	--
2045	--	--	--	--	--
Total	\$57,750,000	\$32,015,515	\$89,765,515	\$563,075,166	\$652,840,681

(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 July 1 of that year.

(3) Assumes interest at rates estimated by the Financial Advisor.

(4) 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 Net Pledged Revenues will be lower.

(5) Reflects refunding impact of 2016A Bonds.

Source: The System and the Financial Advisor.

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)	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
General Fund	\$480.7	\$492.7	\$539.1	\$557.0
COLA Increase	--	--	4.8	14.4
Salary Restoration	<u>6.5</u>	<u>6.6</u>	<u>--</u>	<u>--</u>
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 percent 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⁾

	<u>2010-11</u>		<u>2011-12</u>		<u>2012-13</u>		<u>2013-14</u>		<u>2014-15</u>	
	<u>State⁽²⁾</u>	<u>Other Revenue Sources⁽³⁾</u>	<u>State⁽²⁾⁽⁵⁾</u>	<u>Other Revenue Sources⁽³⁾⁽⁵⁾</u>	<u>State⁽²⁾⁽⁵⁾</u>	<u>Other Revenue Sources⁽³⁾⁽⁵⁾</u>	<u>State⁽²⁾⁽⁶⁾</u>	<u>Other Revenue Sources⁽³⁾⁽⁶⁾</u>	<u>State⁽²⁾⁽⁴⁾</u>	<u>Other Revenue Sources⁽³⁾</u>
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	<u>30,018,348</u>	<u>3,175,716</u>	<u>29,906,783</u>	<u>3,623,260</u>	<u>29,906,780</u>	<u>4,443,159</u>	<u>31,040,487</u>	<u>5,123,764</u>	<u>31,515,247</u>	<u>5,926,080</u>
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 2016 Certificates. Investors should be aware that none of the revenues listed under “State Appropriations” are available to pay principal and interest on the 2016 Certificates. Further, not all of the funds shown represent legally available funds of the System available to pay principal and interest on the 2016 Certificates.

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

	Fiscal Year Ended June 30,				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues					
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	<u>28,028</u>	<u>29,416</u>	<u>36,287</u>	<u>38,256</u>	<u>36,693</u>
Total operating revenues	<u>761,162</u>	<u>746,339</u>	<u>798,147</u>	<u>823,037</u>	<u>830,377</u>
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	<u>52</u>	<u>30</u>	<u>98</u>	<u>282</u>	<u>113</u>
Total operating expenses	<u>1,422,884</u>	<u>1,394,809</u>	<u>1,426,071</u>	<u>1,486,067</u>	<u>1,536,891</u>
Operating (loss)	<u>(661,722)</u>	<u>(648,470)</u>	<u>(627,924)</u>	<u>(663,030)</u>	<u>(706,514)</u>
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 ⁽⁵⁾	100,769	122,329	118,151	122,458	130,181
Other non-operating revenues	<u>3,769</u>	<u>(991)</u>	<u>965</u>	<u>3,059</u>	<u>6,316</u>
Net non-operating revenues	<u>750,691</u>	<u>612,245</u>	<u>685,161</u>	<u>737,763</u>	<u>652,985</u>
Income (Loss) before other revenue, expenses, gains or losses	<u>88,969</u>	<u>(36,225)</u>	<u>57,237</u>	<u>74,733</u>	<u>(53,529)</u>
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⁾	<u>3,140</u>	<u>489</u>	<u>427</u>	<u>278</u>	<u>549</u>
Total other revenues	<u>13,534</u>	<u>25,396</u>	<u>3,943</u>	<u>27,518</u>	<u>86,736</u>
Increase (decrease) in net assets	<u>102,503</u>	<u>(10,829)</u>	<u>61,180</u>	<u>102,251</u>	<u>33,207</u>
NET ASSETS - beginning of year	<u>2,150,623</u>	<u>2,253,126</u>	<u>2,242,297</u>	<u>2,299,765</u>	<u>2,402,016</u>
GASB 65 Adjustments	--	--	(3,712)	--	--
GASB 68 Adjustments ⁽⁷⁾	--	--	--	--	(340,297)
NET ASSETS - end of year	<u>\$2,253,126</u>	<u>\$2,242,297</u>	<u>\$2,299,765</u>	<u>\$2,402,016</u>	<u>\$2,094,926</u>

(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

Retirement Plans. 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 losses 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 statute. 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.

	<u>Fiscal Years 2008 and 2009</u>	<u>Fiscal Years 2010 and 2011</u>	<u>Fiscal Years 2012 and 2013</u>	<u>Fiscal Years 2014 and 2015</u>
<u>Employer Pay Plan</u>				
Regular members	20.50%	21.50%	23.75%	25.75%
Police/fire members	33.50	37.00	39.75	40.50
<u>Employee/Employer Plan (matching rate)</u>				
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 2016A Bonds or the collection of the Net Pledged Revenues. The System is, however, subject to certain pending and threatened litigation regarding various other matters arising in the ordinary course of its business operations. 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 repayment of the 2016A Bonds or materially impact the Net Pledged Revenues or the operations or finances of the System.

Approval of Certain Legal Proceedings

The approving opinion of Sherman & Howard L.L.C., as Bond Counsel, will be delivered with the 2016A Bonds. A form the bond counsel opinion 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.

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

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2016A Bonds is excluded from gross income pursuant to Section 103 of the Tax Code, and interest on the 2016A Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below. For purposes of this paragraph and the succeeding discussion, “interest” includes the original issue discount on certain of the 2016A Bonds only to the extent such original issue discount is accrued as described herein.

The Tax Code imposes several requirements which must be met with respect to the 2016A Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the 2016A Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2016A Bonds; (b) limitations on the extent to which proceeds of the 2016A Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2016A Bonds above the yield on the 2016A Bonds to be paid to the United States Treasury. The System will covenant and represent in the Bond Resolution that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 2016A Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws in effect when the 2016A Bonds are delivered. Bond Counsel’s opinion as to the exclusion of interest on the 2016A Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the System to comply with these requirements could cause the interest on the 2016A Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the System and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation’s “adjusted current earnings” over the corporation’s alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation’s alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. “Adjusted current earnings” includes interest on the 2016A Bonds.

The Tax Code contains numerous provisions which may affect an investor’s decision to purchase the 2016A Bonds. Owners of the 2016A Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without

limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain “subchapter S” corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2016A Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports “reportable payments” (including interest and dividends) as defined in Section 3406, or 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. Certain of the 2016A Bonds may be sold at a premium, representing a difference between the original offering price of those 2016A Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner’s acquisition cost. Bond Counsel’s opinion relates only to the exclusion of interest on the 2016A Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the 2016A Bonds. Owners of the 2016A Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2016A Bonds. 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 2016A Bonds, the exclusion of interest on the 2016A Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the 2016A Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the 2016A Bonds. Owners of the 2016A Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2016A Bonds. If an audit is commenced, the market value of the 2016A Bonds may be adversely affected. Under current audit procedures the Service will treat the System as the taxpayer and the 2014 Bond owners may have no right to participate in such procedures. The System has covenanted in the Bond Resolution not to take any action that would cause the interest on the 2016A Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the System, the Financial Advisor, the Initial Purchaser, Bond Counsel or Special Counsel is responsible for paying or reimbursing any 2014 Bond holder with respect to any audit or litigation costs relating to the 2016A Bonds.

State Tax Exemption

The 2016A Bonds, 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

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") have assigned the 2016A Bonds the respective ratings shown on the cover page of this Official Statement. An explanation of the significance of any ratings given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041. An explanation of the significance of any ratings given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, NY 10007.

There is no assurance that such ratings will continue for any given period of time 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 2016A Bonds 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 2016A Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the Nevada System of Higher Education as of and for the fiscal year 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 2016A Bonds. 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

The System sold the 2016A Bonds at public sale to Citigroup Global Markets Inc. at a price of \$63,351,519.30 (equal to the par amount of the 2016A Bonds, plus net original issue premium of \$5,957,259.30, and less underwriter's discount of \$355,740.00).

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 2016A Bonds have been duly authorized by the Board.

**FOR AND ON BEHALF OF THE NEVADA
SYSTEM OF HIGHER EDUCATION**

By: /s/ Vic Redding
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

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Michael B. Wixom, Vice Chair	Reno
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Cedric Crear	Las Vegas
Robert Davidson.....	Carson City
Mark W. Doubrava, M.D.....	Las Vegas
Jason Geddes, Ph.D.	Reno
Trevor Hayes	Las Vegas
James Dean Leavitt	Las Vegas
Sam Lieberman.....	Las Vegas
Kevin C. Melcher	Elko
Kevin J. Page.....	Las Vegas
Allison Stephens.....	Las Vegas

ADMINISTRATION

Daniel J. Klaich, LLM	Chancellor Nevada System of Higher Education
Len Jessup, Ph. D.	President University of Nevada, Las Vegas
Marc Johnson, Ph.D.	President University of Nevada, Reno
Mark A. Curtis, Ed.D.	President Great Basin College
Chester O. Burton, CPA.....	President Western Nevada College
Bart Patterson, JD.....	President Nevada State College
Michael Richards, Ph.D.	President College of Southern Nevada
Maria C. Sheehan, Ed.D.	President Truckee Meadows Community College
Stephen G. Wells, Ph.D.	President Desert Research Institute

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

Contents

Report of Independent Certified Public Accountants.....	1-2
Management's Discussion and Analysis.....	3-12
Financial Statements.....	14
Combined Statement of Net Position.....	14-15
Combined Statement of Revenues, Expenses and Changes in Net Position.....	16
Combined Statement of Cash Flows.....	17-18
Notes to Financial Statements.....	19-43
Required Supplementary Information.....	45
Schedule of Proportionate Share of the Net Pension Liability.....	46
Schedule of System Contributions.....	47
Supplemental Information	49
Combining Schedule of Net Position.....	50-51
Combining Schedule of Revenues, Expenses and Changes in Net Position.....	52-53

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Grant Thornton LLP
100 W Liberty Street, Suite 770
Reno, NV 89501-1965
T 775.786.1520
F 775.786.7091
www.GrantThornton.com

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



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

System Administration
4300 South Maryland Parkway
Las Vegas, NV 89119-7530
Phone: 702-889-8426
Fax: 702-889-8492



System Administration
2601 Enterprise Road
Reno, NV 89512-1666
Phone: 775-784-4901
Fax: 775-784-1127

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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,

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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	<u>3,296,146</u>	<u>3,156,858</u>	<u>139,288</u>	<u>4%</u>
Deferred Outflows of Resources	<u>40,608</u>	<u>11,777</u>	<u>28,831</u>	<u>245%</u>
Liabilities				
Current Liabilities	261,322	238,487	22,835	10%
Noncurrent Liabilities	896,224	528,084	368,140	70%
Total Liabilities	<u>1,157,546</u>	<u>766,571</u>	<u>390,975</u>	<u>51%</u>
Deferred Inflows of resources	<u>84,282</u>	<u>48</u>	<u>84,234</u>	<u>175,488%</u>
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	<u>213,494</u>	<u>609,280</u>	<u>(395,786)</u>	<u>(65)%</u>
Total Net Position	<u>\$2,094,926</u>	<u>\$2,402,016</u>	<u>\$(307,090)</u>	<u>(13)%</u>

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)**

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$339,552	\$289,133	\$50,419	17%
Capital Assets	7,039	7,378	(339)	(5)%
Other Assets	<u>319,356</u>	<u>311,626</u>	<u>7,730</u>	<u>2%</u>
Total Assets	<u>665,947</u>	<u>608,137</u>	<u>57,810</u>	<u>10%</u>
Liabilities				
Current Liabilities	31,724	25,058	6,666	27%
Non-Current Liabilities	<u>5,896</u>	<u>6,828</u>	<u>(932)</u>	<u>(14)%</u>
Total Liabilities	<u>37,620</u>	<u>31,886</u>	<u>5,734</u>	<u>18%</u>
Deferred Inflows of Resources	<u>15,788</u>	<u>10,071</u>	<u>5,717</u>	<u>57%</u>
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	<u>47,459</u>	<u>51,001</u>	<u>(3,542)</u>	<u>(7)%</u>
Total Net Position	<u>\$612,539</u>	<u>\$566,180</u>	<u>\$ 46,359</u>	<u>8%</u>

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	<u>36,961</u>	<u>38,501</u>	<u>(1,540)</u>	<u>(4)%</u>
Total Operating Revenues	<u>830,377</u>	<u>823,037</u>	<u>7,340</u>	<u>1%</u>
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	<u>(94,910)</u>	<u>(95,614)</u>	<u>704</u>	<u>(1)%</u>
Total Operating Expenses	<u>(1,536,891)</u>	<u>(1,486,067)</u>	<u>(50,824)</u>	<u>3%</u>
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)	<u>6,316</u>	<u>3,059</u>	<u>3,257</u>	<u>106%</u>
Total Nonoperating Revenues (Expenses)	<u>652,985</u>	<u>737,763</u>	<u>(84,778)</u>	<u>(11)%</u>
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	<u>(340,297)</u>	<u>-</u>	<u>(340,297)</u>	<u>(100)%</u>
Net position, beginning of year, as restated	<u>2,061,719</u>	<u>2,299,765</u>	<u>(238,046)</u>	<u>(10)%</u>
Net position, end of year	<u>\$2,094,926</u>	<u>\$2,402,016</u>	<u>\$(307,090)</u>	<u>(13)%</u>

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	<u>153,532</u>	<u>143,993</u>	<u>9,539</u>	<u>7%</u>
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	<u>(90,982)</u>	<u>(88,343)</u>	<u>(2,639)</u>	<u>3%</u>
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)	<u>(45,833)</u>	<u>13,251</u>	<u>(59,084)</u>	<u>(446)%</u>
Other Revenues	<u>29,309</u>	<u>9,345</u>	<u>19,964</u>	<u>214%</u>
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	<u>566,513</u>	<u>487,934</u>	<u>78,579</u>	<u>16%</u>
Net Position, end of year	<u>\$612,539</u>	<u>\$566,180</u>	<u>\$46,359</u>	<u>8%</u>

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	<u>44,181</u>	<u>22,766</u>	<u>21,415</u>	<u>94%</u>
Net increase (decrease) in cash	69,091	77,378	(8,287)	
Cash - beginning of year	<u>283,845</u>	<u>206,467</u>	<u>77,378</u>	
Cash - end of year	<u>\$352,936</u>	<u>\$283,845</u>	<u>\$69,091</u>	

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 non-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

	<u>System</u>	<u>System Related Organizations</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
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
<i>Noncurrent Assets</i>		
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
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
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

	<u>System</u>	<u>System Related Organizations</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
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
<i>Noncurrent Liabilities</i>		
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
<u>DEFERRED INFLOWS OF RESOURCES</u>		
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
<u>NET POSITION</u>		
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

	<u>System</u>	<u>System Related Organizations</u>
<i>Operating Revenues</i>		
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
<i>Operating Expenses</i>		
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
<i>Nonoperating Revenues (Expenses)</i>		
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
<i>Other Revenues</i>		
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
<i>NET POSITION</i>		
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

<i>Cash flows from operating activities</i>	
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
<i>Cash flows from operating activities</i>	<u>(606,630)</u>
<i>Cash flows from noncapital financing activities</i>	
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
<i>Cash flows from noncapital financing activities</i>	<u>684,710</u>
<i>Cash flows from capital and related financing activities</i>	
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)
<i>Cash flows from capital and related financing activities</i>	<u>(53,170)</u>
<i>Cash flows from investing activities</i>	
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)
<i>Cash flows from investing activities</i>	<u>44,181</u>
<i>Net increase in cash</i>	69,091
<i>Cash and cash equivalents, beginning of year</i>	283,845
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 352,936</u></u>

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

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	<u>\$ (606,630)</u>
Supplemental noncash activities information	
Loss on disposal of capital assets	<u>\$ 1,271</u>
Capital assets acquired by gifts	<u>\$ 1,933</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 20,584</u>
Unrealized gain (loss) on investments	<u>\$ (49,989)</u>

NEVADA SYSTEM OF HIGHER EDUCATION

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

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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:

<u>Assets</u>	<u>Year</u>
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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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:

	<u>Cost</u>	<u>Market Value</u>
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	<u>42,044</u>	<u>40,433</u>
	<u>\$678,245</u>	<u>\$792,841</u>

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:

	<u>Fair Value</u>	<u>Not Rated</u>
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	<u>40,433</u>	<u>40,433</u>
	<u>\$792,841</u>	<u>\$792,841</u>

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	<u>143,578</u>
	<u>\$514,139</u>

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>11,109</u>
	88,729
Less: Allowance for doubtful accounts	<u>(34,832)</u>
Net accounts receivable	<u>\$53,897</u>

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>(1,851)</u>
Net loans receivable	12,703
Less current portion	<u>(1,908)</u>
Noncurrent loans receivable	<u>\$10,795</u>

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	<u>12,967</u>	<u>216</u>	<u>(2)</u>	<u>13,181</u>
Total capital assets not being depreciated	<u>149,532</u>	<u>165,775</u>	<u>(28,267)</u>	<u>287,040</u>
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	<u>118,996</u>	<u>2,299</u>	<u>(685)</u>	<u>120,610</u>
Total	<u>2,990,772</u>	<u>71,260</u>	<u>(17,800)</u>	<u>3,044,232</u>
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	<u>(112,300)</u>	<u>(3,065)</u>	<u>824</u>	<u>(114,541)</u>
Total accumulated depreciation	<u>(1,233,996)</u>	<u>(94,910)</u>	<u>16,237</u>	<u>(1,312,669)</u>
Total capital assets being depreciated, net	<u>1,756,776</u>	<u>(23,650)</u>	<u>(1,563)</u>	<u>1,731,563</u>
Capital assets, net	<u>\$1,906,308</u>	<u>\$ 142,125</u>	<u>\$(29,830)</u>	<u>\$2,018,603</u>

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	<u>3,808</u>
					<u>\$23,065</u>

* 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.

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):

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$555,350</u>	<u>\$293,524</u>	<u>\$848,874</u>

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:

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

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	<u>4,497</u>
Total	46,884
Less accumulated depreciation	<u>(2,962)</u>
Total	<u>\$ 43,922</u>

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	<u>10,793</u>
Total minimum lease payments	46,700
Less amount representing interest	<u>(424)</u>
Obligations under capital leases	<u>\$ 46,276</u>

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>5,237</u>
Total future minimum obligation	<u>\$21,580</u>

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	<u>2,903</u>	<u>7,669</u>	<u>(7,669)</u>	<u>2,903</u>
Total	<u>\$4,187</u>	<u>\$ 9,170</u>	<u>\$ (8,858)</u>	<u>\$4,499</u>

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	<u>1,170</u>	<u>-</u>	<u>(441)</u>	<u>729</u>	<u>-</u>
Total	<u>\$102,938</u>	<u>\$ 76,308</u>	<u>\$(77,816)</u>	<u>\$101,430</u>	<u>\$73,642</u>

NEVADA SYSTEM OF HIGHER EDUCATION

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

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>29,901</u>	<u>-</u>
	<u>\$ 29,901</u>	<u>\$ 84,152</u>

\$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	<u>1,916</u>
	<u>\$84,152</u>

NEVADA SYSTEM OF HIGHER EDUCATION

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
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:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>94,910</u>
Total	<u>\$1,536,891</u>

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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NEVADA SYSTEM OF HIGHER EDUCATION

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

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								
<i>Current Assets</i>								
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
<i>Noncurrent Assets</i>								
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								
<i>Current Liabilities</i>								
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
<i>Noncurrent Liabilities</i>								
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

NEVADA SYSTEM OF HIGHER EDUCATION

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

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									
<i>Current Assets</i>									
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
<i>Noncurrent Assets</i>									
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									
<i>Current Liabilities</i>									
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
<i>Noncurrent Liabilities</i>									
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

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 (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

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>250</u>
	<u>\$38,189</u>

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	<u>19,642</u>
	<u>\$191,229</u>

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

	Fair Value	Investment Maturities (in Year)		
		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	<u>19,642</u>	<u>19,234</u>	<u>408</u>	<u>-</u>
	<u>\$191,229</u>	<u>\$151,964</u>	<u>\$31,077</u>	<u>\$8,188</u>

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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 commingled 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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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	<u>(9,547)</u>
	<u>\$ 2,307</u>

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	<u>8,083</u>
Total marketable securities at fair value	<u>\$239,935</u>

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

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 <u>Under 1 Year</u>	Maturity <u>1 – 5 Years</u>	Maturity <u>5 – 10 Years</u>	Maturity <u>Over 10 Years</u>	<u>Total</u>
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	<u>544</u>	<u>4,703</u>	<u>1,431</u>	<u>1,405</u>	<u>8,083</u>
Investment in securities at fair value	<u>\$ 49,207</u>	<u>\$ 37,380</u>	<u>\$ 9,964</u>	<u>\$ 22,693</u>	<u>\$ 119,244</u>

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*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
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)									
	<u>\$ -</u>									
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

21

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				
<i>Current Assets</i>				
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
<i>Noncurrent Assets</i>				
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				
<i>Current Liabilities</i>				
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
<i>Noncurrent Liabilities</i>				
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

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 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
<u>9,909</u>	<u>9,586</u>	<u>392,868</u>	<u>67,213</u>	<u>17,046</u>	<u>(5,504)</u>	<u>878,226</u>
-	-	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
<u>32,001</u>	<u>38,306</u>	<u>915,159</u>	<u>211,055</u>	<u>68,021</u>	<u>-</u>	<u>2,417,920</u>
<u>41,910</u>	<u>47,892</u>	<u>1,308,027</u>	<u>278,268</u>	<u>85,067</u>	<u>(5,504)</u>	<u>3,296,146</u>
901	773	8,620	4,256	368	-	29,901
-	-	5,308	-	-	-	10,707
<u>901</u>	<u>773</u>	<u>13,928</u>	<u>4,256</u>	<u>368</u>	<u>-</u>	<u>40,608</u>
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
<u>2,237</u>	<u>2,502</u>	<u>104,867</u>	<u>22,308</u>	<u>10,799</u>	<u>(5,504)</u>	<u>261,322</u>
-	-	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
<u>8,278</u>	<u>7,976</u>	<u>305,970</u>	<u>50,796</u>	<u>45,126</u>	<u>-</u>	<u>896,224</u>
<u>10,515</u>	<u>10,478</u>	<u>410,837</u>	<u>73,104</u>	<u>55,925</u>	<u>(5,504)</u>	<u>1,157,546</u>
2,210	1,918	26,726	12,331	1,201	-	84,152
-	-	-	-	-	-	130
<u>2,210</u>	<u>1,918</u>	<u>26,726</u>	<u>12,331</u>	<u>1,201</u>	<u>-</u>	<u>84,282</u>
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
<u>\$ 30,086</u>	<u>\$ 36,269</u>	<u>\$ 884,392</u>	<u>\$ 197,089</u>	<u>\$ 28,309</u>	<u>\$ -</u>	<u>\$ 2,094,926</u>

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

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>
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	<u>353,072</u>	<u>14,438</u>	<u>34,116</u>	<u>26,456</u>
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	<u>(552,311)</u>	<u>(46,195)</u>	<u>(45,253)</u>	<u>(70,570)</u>
Operating Income (Loss)	<u>(199,239)</u>	<u>(31,757)</u>	<u>(11,137)</u>	<u>(44,114)</u>
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)	<u>190,670</u>	<u>5,622</u>	<u>8,840</u>	<u>42,358</u>
Income (Loss) Before Other Revenue (Expenses)	<u>(8,569)</u>	<u>(26,135)</u>	<u>(2,297)</u>	<u>(1,756)</u>
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)	<u>27,065</u>	<u>84</u>	<u>726</u>	<u>994</u>
Increase (Decrease) in Net Position	<u>18,496</u>	<u>(26,051)</u>	<u>(1,571)</u>	<u>(762)</u>
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	<u>\$ 590,648</u>	<u>\$ 147,713</u>	<u>\$ 106,335</u>	<u>\$ 74,085</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 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
<u>8,652</u>	<u>9,254</u>	<u>325,802</u>	<u>56,472</u>	<u>10,630</u>	<u>(8,515)</u>	<u>830,377</u>
(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)
<u>(31,389)</u>	<u>(25,956)</u>	<u>(537,775)</u>	<u>(205,754)</u>	<u>(30,203)</u>	<u>8,515</u>	<u>(1,536,891)</u>
<u>(22,737)</u>	<u>(16,702)</u>	<u>(211,973)</u>	<u>(149,282)</u>	<u>(19,573)</u>	<u>-</u>	<u>(706,514)</u>
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
<u>21,199</u>	<u>15,123</u>	<u>213,836</u>	<u>138,065</u>	<u>17,272</u>	<u>-</u>	<u>652,985</u>
<u>(1,538)</u>	<u>(1,579)</u>	<u>1,863</u>	<u>(11,217)</u>	<u>(2,301)</u>	<u>-</u>	<u>(53,529)</u>
-	-	-	-	-	-	41
-	-	57,400	86	355	-	86,146
-	-	-	26	-	-	549
<u>-</u>	<u>-</u>	<u>57,400</u>	<u>112</u>	<u>355</u>	<u>-</u>	<u>86,736</u>
<u>(1,538)</u>	<u>(1,579)</u>	<u>59,263</u>	<u>(11,105)</u>	<u>(1,946)</u>	<u>-</u>	<u>33,207</u>
40,894	45,739	932,327	257,192	34,715	-	2,402,016
<u>(9,270)</u>	<u>(7,891)</u>	<u>(107,198)</u>	<u>(48,998)</u>	<u>(4,460)</u>	<u>-</u>	<u>(340,297)</u>
31,624	37,848	825,129	208,194	30,255	-	2,061,719
<u>\$ 30,086</u>	<u>\$ 36,269</u>	<u>\$ 884,392</u>	<u>\$ 197,089</u>	<u>\$ 28,309</u>	<u>\$ -</u>	<u>\$2,094,926</u>

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, 2015. 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.

The Account to Stabilize the Operation of State Government. 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)

<u>Fiscal Year Ended June 30</u>	<u>Actual</u>					<u>Economic Forum Forecast⁽¹⁾</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
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	<u>69,285⁽³⁾</u>	<u>286,181⁽³⁾</u>	<u>184,121</u>	<u>190,746</u>	<u>81,679</u>	<u>82,200</u>	<u>83,928</u>	<u>52,979</u>
OTHER REVENUE⁽⁴⁾	<u>348,880</u>	<u>363,711</u>	<u>358,438</u>	<u>304,587</u>	<u>215,298</u>	<u>248,051</u>	<u>223,356</u>	<u>229,685</u>
TOTAL⁽⁵⁾	<u>\$3,007,020</u>	<u>\$3,175,426</u>	<u>\$3,081,768</u>	<u>\$3,132,602</u>	<u>\$3,066,946</u>	<u>\$3,240,480</u>	<u>\$3,733,695</u>	<u>\$3,827,004</u>

(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)

<u>Fiscal Year Ended June 30</u>	<u>Actual Appropriations</u>				<u>2015 Legislatively Approved Appropriations</u>	
	<u>2011⁽²⁾</u>	<u>2012</u>	<u>2013</u>	<u>2015⁽¹⁾</u>	<u>2016</u>	<u>2017</u>
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	291,232	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	5,652,080	5,881,392
TOTAL⁽³⁾	<u>\$3,271,957</u>	<u>\$3,067,420</u>	<u>\$3,181,724</u>	<u>\$3,363,177,113</u>	<u>\$3,558,057,616</u>	<u>\$3,738,711,497</u>

(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)

<u>Fiscal Year Ending June 30</u>	<u>2011⁽²⁾</u>	<u>2012⁽²⁾</u>	<u>2013⁽²⁾</u>	<u>2014</u>	<u>2015⁽²⁾</u>
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	<u>\$3,323,513</u>	<u>\$3,065,441</u>	<u>\$3,627,748</u>	<u>\$3,151,683</u>	<u>\$3,322,282</u>
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	<u>1,495</u>	<u>8,342</u>	<u>8,322</u>	<u>9,011</u>	<u>9,060</u>
General Fund Resources	<u>\$3,722,277</u>	<u>\$3,450,264</u>	<u>\$3,636,070</u>	<u>\$3,508,960</u>	<u>\$3,554,886</u>
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	<u>(\$3,356,944)</u>	<u>(\$3,068,106)</u>	<u>(\$3,289,232)</u>	<u>(\$3,291,357)</u>	<u>(\$3,398,198)</u>
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	<u>(\$ 43,316)</u>	<u>(\$ 48,579)</u>	<u>(\$ 55,822)</u>	<u>(\$ 38,572)</u>	<u>(\$ 10,560)</u>
Adjustments to Fund Balance	<u>\$ 2,051</u>	<u>\$ 1,990</u>	<u>\$ 8,951</u>	<u>\$ 4,513</u>	<u>\$ 0</u>
Total Appropriations / Transfers	<u>(\$3,398,209)</u>	<u>(\$3,114,695)</u>	<u>(\$3,336,103)</u>	<u>(\$3,325,416)</u>	<u>(\$3,408,758)</u>
Unappropriated General Fund Balance June 30	<u>\$ 324,069</u>	<u>\$ 335,569</u>	<u>\$ 299,966</u>	<u>\$ 183,544</u>	<u>\$ 146,128</u>
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	<u>1,201,833</u>	<u>1,998,257</u>	<u>2,700,551</u>	<u>2,721,794</u>	<u>2,750,217</u>	<u>2,800,967</u>	<u>2,843,301</u>

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

Age	Percent of Population			
	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	1,286.4	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	1,174.3	1,214.8	1,249.9

(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⁾

<u>Fiscal Year⁽²⁾</u>	<u>State Total</u>	<u>Percent Change</u>
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 – Oct. 14	\$16,413,268,784	--
Jul. 15 – Oct. 15	17,267,720,332	5.2%

(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⁾

Fiscal Year Ended June 30	Gross Taxable Gaming Revenue ⁽²⁾		State Gaming Collection ⁽³⁾	
	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 BOND RESOLUTION

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

Definitions

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

“Board” means the Board of Regents of the Nevada System of Higher Education.

“Bond Fund” means the special and separate account designated as the “Nevada System of Higher Education, Universities Revenue Bonds, Interest and Bond Retirement Fund.”

“Bond Requirements” means the principal of, any prior redemption premiums due in connection with, and the interest on the Bonds, and any additional bonds and securities payable from Pledged Revenues and heretofore or hereafter issued or any designated portion thereof, as such become due.

“Bond Year” means the 12 months commencing on July 2 of any calendar year and ending on July 1 of the next succeeding calendar year.

“Bonds” means the Nevada System of Higher Education, Universities Revenue Bonds, 2016A.

“Comparable Bond Year” means the Bond Year which commences one day after the commencement of the Fiscal Year with which the Bond Year is associated. For example, for the Fiscal Year commencing on July 1, 2016, and ending on June 30, 2017, the Comparable Bond Year commences on July 2, 2016, and ends on July 1, 2017.

“Cost of Issuance Account” means the means the special and separate account designated as Cost of Issuance Account and created in the Bond Resolution.

“Escrow Account” means the special and separate account designated as 2016 Escrow Account and created in the Bond Resolution, and required to be accumulated and maintained by the escrow agent under the escrow agreement.

“Facilities” means all Issuer-owned student housing, dining and parking facilities, whether or not presently existing, situated on the campus of UNLV, and all Issuer-owned student housing, dining and parking facilities, whether or not presently existing, situate on the campus of UNR, and other income-producing buildings, structures, improvements and other appurtenances relating thereto, if any, located at or pertaining to any of the Universities, and to which the Net Pledged Revenues pertain by an extension hereafter thereto of the lien and pledge herein provided.

“Federal Securities” means bills, certificates of indebtedness, notes, bonds, or similar securities which are direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

“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.

“Gross Revenues” or “Gross Pledged Revenues” means all the Pledged Revenues.

“Insurer” means the insurer, if any, designated in Certificate of the Vice Chancellor, or any successor thereto or assignee thereof. No insurer for the Bonds has been designated.

“Issuer” or “System” means the Nevada System of Higher Education, the state university constituting a body corporate and politic, and a political subdivision of the State, the seat of which is located at the City of Reno, Nevada.

“Net Pledged Revenues” or “Net Revenues” means now all the Pledged Revenues and is synonymous with Gross Pledged Revenues; but in the case of any future extension of the pledge and lien provided in the Bond Resolution to secure the payment of the Bonds and any other securities payable from Pledged Revenues, to any revenues (other than the Student Fees, other than UNR Facilities Revenues, UNLV Facilities Revenues and other than any grants from the federal government, the State, or other donor for the payment of Bond Requirements) from any other income-producing Facilities of the Issuer or the Board or other available source, the term “Net Pledged Revenues” or “Net Revenues” may then include the gross revenues of such Facilities remaining after provision is made for the payment of the operation and maintenance expenses of such Facilities from the income of such other income producing Facilities.

“Operation and maintenance expenses” means all reasonable and necessary current expenses of the Issuer or the Board, or both, as the case may be, paid or accrued, of operating, maintaining and repairing any Facilities pertaining to Pledged Revenues, and may at the Board’s option include, without limitation:

- (a) Legal and overhead expenses of the various Issuer departments directly related and reasonably allocated to the administration of the Facilities;
- (b) Fidelity bond and insurance premiums pertaining to the Facilities, or a reasonably allocable share of a premium of any blanket bond or policy pertaining to such Facilities;
- (c) The reasonable charges of any paying agent, or commercial bank, trust bank, or other depository bank pertaining to any securities issued by the Issuer or by the Board and pertaining to any such Facilities;
- (d) Contractual services, professional services, salaries, administrative expenses, and costs of labor pertaining to the Facilities;

(e) The costs incurred by the Board in the collection of all or any part of the Pledged Revenues, including, without limitation, revenues pertaining to any such Facilities;

(f) Any costs of utility services furnished to the Facilities by the Issuer or otherwise; and

(g) Reasonable allowances for the depreciation of furniture and equipment for the Facilities; but

(i) excluding any allowance for depreciation, except as otherwise provided in subparagraph (g) of this paragraph;

(ii) excluding any costs of reconstruction, improvements, extensions, or betterments;

(iii) excluding any accumulation of reserves for capital replacements;

(iv) excluding any reserves for operation, maintenance, or repair of any Facilities;

(v) excluding any allowance for the redemption of any bond or other security evidencing a loan or other obligation or the payment of any interest thereon;

(vi) excluding any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing Facilities, or any combination thereof; and

(vii) excluding any other ground of legal liability not based on contract.

With respect to the UNLV Facilities Revenues and the UNR Facilities Revenues, operation and maintenance expenses of the special event facilities, housing, dining and parking facilities will exclude salaries pertaining to and the costs of utility services furnished to such facilities.

“Outstanding” means all the Bonds or any such other securities payable from Pledged Revenues or otherwise pertaining to the Universities, as the case may be, theretofore and thereupon being executed and delivered:

(a) except any Bond or other security canceled by the Issuer, or on the Issuer’s behalf, at or before such date;

(b) except any Bond or other security for the payment or the redemption of which monies and Federal Securities (including the known minimum yield from such Federal Securities) at least sufficient to pay when due its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if

any, shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose; and

(c) except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered.

Any Bonds held by the Issuer shall not be deemed to be Outstanding for any purpose.

“Parity Lien Bonds” means the Outstanding the 2008A Bonds, the 2009A Bonds, the 2010A Bonds, the 2010B Bonds, the 2011A Bonds, the 2012A Bonds, the 2012B Bonds, the 2013A Bonds, the 2013B Bonds, the 2014 Bonds, the 2015A Bonds, the 2015B Bonds, the Bonds and any additional bonds or securities hereafter issued payable from Pledged Revenues on a parity with the 2008A Bonds, the 2009A Bonds, the 2010A Bonds, the 2010B Bonds, the 2011A Bonds, the 2012A Bonds, the 2012B Bonds, the 2013A Bonds, the 2013B Bonds, the 2014 Bonds, the 2015A Bonds, the 2015B Bonds and the Bonds.

“Paying Agent” means U.S. Bank National Association, designated in the Bond Resolution by the Issuer as the paying agent and registrar for the Bonds, and any successor named pursuant to Section 908 of the Bond Resolution.

“Permitted Investments” means any investment permitted for bond proceeds by the laws of the State or as otherwise approved by the Insurer, if any.

“Pledged Revenues” means the Student Fees, the UNR Facilities Revenues and UNLV Facilities Revenues, and all grants, if any, conditional or unconditional, from the federal government, the State, or other donor for the payment of any Bond Requirements, or Net Revenues, if any, to be derived from the operation of any income-producing Facilities of the Issuer or the Board or from other available sources and to which the pledge and lien provided in the Bond Resolution hereafter are extended; and “Pledged Revenues” indicates a source or sources of revenues and does not necessarily indicate all or any portion of such revenues in the absence of further qualification.

“Rebate Fund” means the special and separate account designated as the “Nevada System of Higher Education, Universities Revenue Bonds, Rebate Fund”, formerly the “University and Community College System of Nevada, Subordinate Lien Universities Revenue Bonds, Rebate Fund” and formerly the “University of Nevada System, Universities Revenue Bonds, Series July 1, 1989, Rebate Fund.”

“Revenue Fund” means the special and separate account designated as the “Nevada System of Higher Education, Universities Student Fees and Other Pledged Revenues Gross Revenue Fund”, formerly the “University and Community College System of Nevada, Universities Student Fees and Other Pledged Revenues Gross Revenue Fund”.

“Student Fees” means the gross fees from students attending either of the existing Universities for the regular academic year of two semesters (but excluding any summer school student), which fees are commonly designated as the Capital Improvement Fee, the Student Union Capital Improvement Fee, the General Fund Fee and the General Improvement Fee, and if

hereafter authorized by law, all additional student fees, if any, to which the pledge and lien provided in the Bond Resolution for the payment of securities authorized by the Project Act and the Bond Act are hereafter extended.

“Subordinate bonds,” “subordinate securities” or “Subordinate Lien Bonds” means any bonds or securities hereafter issued and payable from Pledged Revenues and having a lien thereon subordinate and junior to the lien thereon of the Parity Lien Bonds.

“Tax Code” means the federal Internal Revenue Code of 1986, as amended, as in effect on the date of delivery of the Bonds, and all applicable regulations thereunder.

“Universities” means collectively the University of Nevada, Las Vegas, the campus of which is situated in the environs of the City of Las Vegas, and the University of Nevada, Reno, the campus of which is situated in the City of Reno, Nevada. “Universities” includes all additional universities constructed and otherwise acquired hereafter by the Issuer, if any.

“UNLV Facilities Revenues” means gross revenues derived from or otherwise pertaining to the operation of certain special event facilities located on the University of Nevada, Las Vegas campus and known as the Thomas and Mack Center, the Cox Pavilion and the Sam Boyd Stadium and the operation of all Issuer-owned student housing, University of Nevada, Las Vegas dining facilities and University of Nevada, Las Vegas parking facilities, whether or not presently existing, after the deduction of the operation and maintenance expenses of such special event facilities and such housing, dining and parking facilities (other than salaries and the costs of utility services).

“UNR Facilities Revenues” means gross revenues derived from or otherwise pertaining to the operation of all Issuer-owned student housing, dining and parking facilities, whether or not presently existing, after the deduction of the operation and maintenance expenses of such housing, dining and parking facilities (other than salaries and costs of utility services).

“Vice Chancellor for Finance” means the de jure or de facto financial officer of the Issuer bearing that title, or his or her successor in functions, including the Vice Chancellor for Finance and Administration, the Director of Banking and Investments or any appointed interim or acting vice chancellor for finance.

Disposition of Bond Proceeds

Net proceeds from the sale of the Bonds will be deposited in the Bond Fund, the Escrow Account, the Cost of Issuance Accounts and used to pay costs of issuance of the Bonds as provided below. First, there shall be credited to the Bond Fund all monies received by the Issuer, if any, as accrued interest on the Bonds from the date of the Bonds to the date of their delivery to the initial purchaser of the Bonds, to apply to the payment of interest on the Bonds as the same becomes due after their delivery. Second, there will be credited to the Escrow Account from proceeds of the Bonds, an amount sufficient, together with any other monies available therefor, to establish any initial cash balance remaining uninvested and to buy the Federal Securities, if any, designated in the Escrow Agreement for purchase by the Issuer and credit to the Escrow Account with the Escrow Agent, for the payment of the Refunded Bonds pursuant to

the Escrow Agreement.. Third, all moneys remaining from the proceeds of the Bonds shall be credited to the Cost of Issuance Account to pay the Cost of the Project (as defined in the Bond Resolution) and incidental costs, including, without limitation, costs of issuance of the Bonds. See "SOURCES AND USES OF FUNDS."

Flow of Funds

So long as any Bonds shall be Outstanding, the entire Gross Revenues derived from the Student Fees, the UNR Facilities Revenues, the UNLV Facilities Revenues and any other Pledged Revenues, shall be set aside and credited immediately to the Revenue Fund.

Under the Bond Resolution, the Revenue Fund will be administered and the moneys on deposit therein will be applied in the following manner and order:

(a) First, there will be credited to the bond funds for the Parity Lien Bonds and any bonds hereafter issued on a parity therewith (i) semi-annually, on each interest payment date, the amount necessary to pay the next maturing installment of interest on the Parity Lien Bonds and any bonds hereafter issued on a parity therewith, and (ii) semi-annually, on each interest payment date, one-half of the amount necessary to pay the next maturing installment of principal of the Parity Lien Bonds and any bonds hereafter issued on a parity therewith, except to the extent any other moneys are available.

(b) Second, the Issuer shall deposit Net Pledged Revenues into the rebate funds for the Parity Lien Bonds and any bonds hereafter issued on a parity therewith, as required under Section 148 of the Tax Code, as required by the bond resolutions for the Parity Lien Bonds and any bonds issued hereafter on a parity therewith.

(c) Third, any monies remaining in the Revenue Fund may be used by the Issuer for payment of the bond requirements of any Subordinate Lien Bonds, including reasonable reserves for such securities, as the same accrue.

(d) After the payments required in subsections (a) through (c) described above have been made, on January 2 or July 2 of each year or whenever in the Bond Year all payments required to be made have been made, any remaining Net Pledged Revenues in the Revenue Fund may be used for any lawful purpose, as the Board may from time to time determine.

No payment need be made into the Bond Fund if the amount in such fund is at least equal to the entire amount of the Outstanding Parity Lien Bonds to their respective maturities or designated redemption dates.

If at any time the Issuer shall for any reason fail to pay into the Bond Fund the full amount above stipulated, then an amount shall be paid into the Bond Fund from the first Net Pledged Revenues thereafter received and not required to be applied as heretofore set forth.

Rate Maintenance Covenant

The Issuer in accordance with the provisions of the Bond Resolution, must adopt, from time to time revise, and continue in effect a schedule of Student Fees and possibly other charges, grants, and other Pledged Revenues pertaining to the Universities so that the amount of

Net Pledged Revenues budgeted for receipt in each Fiscal Year is at least sufficient to pay in the Comparable Bond Year an amount, including the proceeds of the General Fund Fee and the General Improvement Fee (as defined in the Bond Resolution) equal to 150%, and excluding the proceeds of the General Fund Fee and the General Improvement Fee equal to 110%, of the Bond Requirements (excluding any reserves therefor) of the Bonds and any other Outstanding securities payable from the Net Pledged Revenues in that Bond Year. The rate maintenance covenant is subject to compliance by the Issuer with any legislation of the United States, the State, or other governmental body, or any regulation or other action taken by the federal government, any State agency, or any political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation, or action limits or otherwise inhibits the amounts of any fees and other charges due to the Issuer for the use of or otherwise pertaining to the Universities including, without limitation, increases in the amounts of such fees or other charges (or a combination thereof).

Additional Securities

The Bond Resolution permits the Issuer to issue additional obligations payable from Net Pledged Revenues and having a lien thereon on a parity with the lien thereon of the Bonds under certain circumstances. The Issuer has covenanted not to issue additional obligations payable from Net Pledged Revenues and having a lien thereon which is superior to the lien of the Parity Lien Bonds or superior to the lien of any bonds or other securities issued with a lien on a parity with the Parity Lien Bonds.

Additional bonds or other securities payable from the Net Pledged Revenues and having a lien thereon on a parity with the lien of the Bonds may be issued subject to the limitation discussed above; provided, however, that no such additional securities (other than refunding securities) shall be issued unless:

- (a) At the time of the adoption of the instrument authorizing the issuance of the additional securities, the Issuer is not in default in making any payments required to be made by the Bond Resolution or the bond resolutions for the other Parity Lien Bonds;
- (b) The Net Pledged Revenues derived in either the Fiscal Year immediately preceding, or any 12 consecutive months of the 18 months immediately preceding, the date of issuance of the proposed securities, has been sufficient to pay an amount at least equal to 150% of the combined maximum annual principal and interest requirements (excluding amounts payable by virtue of optional redemption, but taking into account mandatory sinking fund redemptions) to be paid during any one Bond Year ending on or before July 1, 2043, of the Outstanding Parity Lien Bonds, and the securities proposed to be issued (excluding any reserves therefor); and
- (c) The Net Pledged Revenues, excluding from those revenues the proceeds of the General Fund Fees and the General Improvement Fees pertaining to the Universities, derived for the Fiscal Year immediately preceding, or any 12 consecutive months of the 18 months immediately preceding, the date of issuance of the additional parity securities, has been sufficient to pay an amount at least

equal to 110% of the combined maximum annual principal and interest requirements to be paid during any one Bond Year ending on or before July 1, 2043, of the Outstanding Parity Lien Bonds, and the securities proposed to be issued (excluding any reserves therefor).

In any computation of the earnings test set forth in subparagraph (c) above (but not in any computation of the earnings test set forth in subparagraph (b) above), the amount of Net Pledged Revenues for the next preceding Fiscal Year shall be decreased and may be increased by the amount of loss or gain, respectively, estimated by the Vice Chancellor for Finance resulting from any change in any Student Fees based on the number of full time students (or the equivalent thereof) during the next preceding Fiscal Year, as if the schedule of modified Student Fees had been in effect during the entire next preceding Fiscal Year, if the change shall have been made by the Board prior to such computation of the designated earnings test but made in the same Fiscal Year as the computation or in the next preceding Fiscal Year.

In addition, in any computation of the earnings test set forth in subparagraph (c) above (but not in any computation of the earnings test set forth in subparagraph (b) above), the amount of Net Pledged Revenue for the next preceding Fiscal Year may be increased by the revenues to be generated by the facilities constructed with the additional securities in the first fiscal year immediately succeeding the last fiscal year following the issuance of such additional parity securities in which interest on the additional parity securities is provided from the proceeds thereof as estimated by an independent consulting engineer or the Vice Chancellor for Finance.

In addition, in any computation of the earnings test set forth in subparagraph (c) above (but not in any computation of the earnings test set forth in subparagraph (b) above), there also will be deducted from or added to the amount of any operation and maintenance expenses pertaining to any income-producing Facilities of the Universities and pertaining to any Pledged Revenues any estimated decrease or increase, respectively, in such expenses that will result from the expenditure of the funds to be derived from the issuance and sale of the additional bonds or other additional securities.

Finally, in any computation of the earnings test set forth in subparagraphs (b) and (c) above, the respective annual Bond Requirements (including the amount of any prior redemption premiums due on any redemption date as of which the Issuer shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of securities for payment) shall be reduced to the extent such Bond Requirements are scheduled to be paid in each of the respective Bond Years with monies held in trust or in escrow for the purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities.

Refunding Securities

Refunding securities enjoying complete parity with then Outstanding unrefunded Bonds may be issued only if either (a) the refunding securities are issued in compliance with the requirements listed under "Additional Securities" above (excluding from any computation the bonds to be refunded) or (b) the refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by such refunding securities and by the

Outstanding securities not refunded on and prior to the last maturity date or last redemption date, if any, whichever time is earlier, of such unrefunded securities, and the lien of any refunding securities on Pledged Revenues is not raised to a higher priority than the lien thereon of the securities thereby refunded, or (c) the lien on the Pledged Revenues for payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded.

Investments

Any moneys on deposit in the Revenue Fund or the Bond Fund not needed for immediate use may be invested or reinvested by the Treasurer of the Issuer or his designee in:

- (i) time or demand deposits of any commercial bank appropriately secured according to the laws of the State and otherwise to the extent permitted by the Bond Resolution;
- (ii) Federal Securities, as provided in the Bond Resolution; and
- (iii) other Permitted Investments.

However, capitalized interest and accrued interest deposited into the Bond Fund may only be invested in direct obligations of the United States or in obligations guaranteed by the United States.

Federal Securities purchased as an investment or reinvestment of moneys in any such accounts shall be deemed at all times to be a part of the account and held in trust therefor. Except as provided in the Bond Resolution, any interest or other gain in any account from any investments or reinvestments in Federal Securities and from any investment or reinvestment in Federal Securities and from any deposits of moneys in any commercial bank shall be credited to the account, and any loss in any account resulting from any such investments and reinvestments in Federal Securities and from any such deposits in a commercial bank shall be charged or debited to the account.

Amendment of the Bond Resolution

The Bond Resolution may be amended, changed or modified without the consent of any holders of Outstanding Bonds as may be required: (a) by its provisions; (b) for the purpose of curing any ambiguity or formal defect or omission therein; (c) in connection with the issuance and delivery of additional bonds or other securities payable from the Net Pledged Revenues, or (d) in connection with any other change therein which is not to the prejudice of the owners of the Bonds.

The Bond Resolution otherwise may be amended or supplemented upon the written consent of the owners of at least 66% in aggregate principal amount of the Outstanding Bonds and any outstanding refunding bonds issued to refund the Bonds; but no such amendment shall have the effect of permitting: (1) a change in the maturity or in the terms of redemption of any installment of principal or interest of any Outstanding Bond; (2) a reduction of the principal, interest rate or prior redemption premium payable in connection with any Bond without the consent of the holder of the Bond; (3) the creation of a lien upon or a pledge of revenues ranking

prior to the lien or to the pledge created by the Bond Resolution; (4) a reduction of the principal amount or percentage of the Bonds, the consent of the holders of which is required for any such amendment or other modification; (5) the establishment of priorities between Outstanding Bonds; or (6) the material and prejudicial effect on the rights or privileges of the holders of less than all of the Bonds then Outstanding.

The Bond Resolution requires notice of certain amendments to be mailed upon the terms and conditions set forth in the Bond Resolution.

Default

The following are “events of default” under the Bond Resolution: (1) failure to pay when due and payable the principal of the Bonds or any prior redemption premium due in connection therewith at maturity or upon prior redemption, or any installment of interest when due and payable; (2) the Issuer for any reason is rendered incapable of fulfilling its obligations under the Bond Resolution; (3) the Issuer fails to carry out and to perform (or in good faith begin the performance of) all acts required of it under any contract relating to the Pledged Revenues, to any Facilities, to the Universities or any combination thereof, continuing 60 days after notice of such failure has been given to the Issuer by the initial purchaser of the Bonds or by the holders of 10% or more in aggregate principal amount of the Bonds; (4) the entry of a decree or order (with the consent or acquiescence of the Issuer) appointing a receiver or receivers for the Pledged Revenues or any Facilities, or, if such decree was entered without the consent of the Issuer, if it is not vacated, discharged or stayed on appeal within 60 days after entry; (5) a default by the Issuer in the due and punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Bonds or in the Bond Resolution to be performed (except with respect to the provisions of the Continuing Disclosure Undertaking, which shall not constitute a default under the Bond Resolution), if such default continues for 60 days after written notice specifying such default and requiring the same to be remedied has been given to the Issuer by the initial purchaser of the Bonds or by the holders of 10% or more in principal amount of the Bonds then Outstanding.

Upon the happening and continuance of any event of default, the holders of not less than 10% in aggregate principal amount of the Bonds then Outstanding may proceed against the Issuer to protect and enforce the rights of any bondholder under the Bond Resolution by suit, action or special proceedings, in equity or at law, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained therein or by an award of execution of any power granted in the Bond Resolution or for the enforcement of any proper legal or equitable remedy as such bondholders may deem most effectual to protect and enforce such rights.

Defeasance

When all Bond Requirements of the Bonds or any other securities payable from Net Pledged Revenues have been duly paid, the pledge and lien and all obligations under the Bond Resolution shall thereby be discharged and the Bonds and any other securities payable from Pledged Revenues shall no longer be deemed to be Outstanding. The Issuer may provide for such payment by placing in escrow or in trust with a trust bank (exercising trust powers) an amount sufficient, together with the known minimum yield available therefor from Federal

Securities in which such amount wholly or in part may be initially invested, to meet all Bond Requirements of the issue as the same become due to the fixed maturity dates of the securities or to any prior redemption date or dates as of which the Issuer shall have obligated itself to exercise its prior redemption option by the call of the securities for payment.

Tax Covenant

The Issuer covenants for the benefit of the registered owners of the 2016A Bonds that it will not take any action or omit to take any action with respect to the 2016A Bonds, the proceeds thereof, any other funds of the Issuer or any facilities financed with the proceeds of the 2016A Bonds if such action or omission (i) would cause the interest on the 2016A Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the 2016A Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2016A Bonds until the date on which all obligations of the Issuer in fulfilling the above covenant under the Tax Code have been met.

Other Covenants

The Bond Resolution contains other covenants by the Board dealing with the Bonds. These other covenants include provisions relating to, among other matters, restrictions upon the disposition of the Facilities, maintenance of insurance coverages on the Facilities and continued efficient operation and maintenance of the Facilities. The Issuer covenants to collect all rents, rates, fees and other charges pertaining to the Net Pledged Revenues as soon as reasonable, and to prescribe and enforce rules and regulations for the payment of such charges and to provide methods of collection and penalties in connection therewith. The Issuer will covenant that it will cause to be established and maintained such rules and regulations as may be necessary to assure reasonable occupancy and use of any Facilities and services afforded thereby and, if necessary to enforce a rule requiring reasonable occupancy and use of any such Facilities. As long as any of the Bonds are Outstanding, the Issuer has agreed not to grant any franchise or license to any competing facilities.

The Issuer will employ experienced and competent management personnel for any Facilities, who shall have full control over the Facilities and shall operate the Facilities for the Issuer subject to the reasonable control and direction of the Board. In the event of default on the part of the Issuer in paying the Bond Requirements of the Bonds and any other securities payable from Pledged Revenues promptly as each falls due, or in the keeping of any covenants contained in the Bond Resolution, and if such shall continue for a period of 60 days, or if the Net Pledged Revenues in any Fiscal Year should fail to equal at least the amount of the Bond Requirements of the Outstanding Bonds and any other securities (including all reserves specified therefor) payable from Pledged Revenues in the Comparable Bond Year, the Issuer will retain a firm of competent management engineers skilled in the operation of such facilities to assist in the management of the Facilities so long as such default continues or so long as the Net Pledged Revenues are less than the amount above designated.

In addition, any holder of the Bonds has the right to inspect, at all reasonable times, the records concerning the Facilities, the Issuer and the Pledged Revenues. The Board will keep proper books of record and account pertaining to the Issuer showing complete and correct entries of all transactions relating to Pledged Revenues and to any Facilities.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2016A Bonds. The 2016A Bonds 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 2016A Bonds, 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 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Bond ("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 2016A Bonds 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 2016A Bonds, except in the event that use of the book-entry system for the 2016A Bonds is discontinued.

To facilitate subsequent transfers, all 2016A Bonds 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 2016A Bonds 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 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016A Bonds 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 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2015 Bond documents. For example, Beneficial Owners of 2016A Bonds may wish to ascertain that the nominee holding the 2016A Bonds 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 2016A Bonds 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 2016A Bonds 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 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2016A Bonds 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 2016A Bonds 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, 2015 Bond 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, 2015 Bond 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 OPINION OF BOND COUNSEL

[Closing Date]

Nevada System of Higher Education
2601 Enterprise Road
Reno, Nevada 89512

\$57,750,000
Nevada System of Higher Education
Universities Revenue Bonds
Series 2016A

Ladies and Gentlemen:

We have acted as bond counsel to the Nevada System of Higher Education (the “System”) in connection with the issuance of its “Nevada System of Higher Education, Universities Revenue Bonds, Series 2016A” (the “Bonds”), in the aggregate principal amount of \$57,750,000 pursuant to an authorizing resolution adopted and approved by the Board of Regents of the System on March 4, 2016 (the “Resolution”). In such capacity, we have examined the System's certified proceedings 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 to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Resolution.

Regarding questions of fact material to our opinions, we have relied upon the System's certified proceedings and other representations and certifications of 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 bond counsel that:

1. The Bonds are valid and binding, special, limited obligations of the System payable solely from the Net Pledged Revenues and from funds and accounts pledged therefor under the Resolution.
2. The Resolution creates a valid lien on the Net Pledged Revenues pledged therein for the security of the Bonds on a parity with the Parity Lien Bonds and superior to the Subordinate Lien Bonds, if any, to be issued. The Resolution also creates a valid lien on the Bond Fund. Except as described in this paragraph, we express no opinion regarding the priority of the lien securing the Bonds on the Net Pledged Revenues or on the funds and accounts created by the Resolution.
3. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Tax Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is

required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and continued accuracy of the representations contained in the System's certified proceedings and in certain other documents and certain other certifications furnished to us.

4. Under the laws of the State in effect as of the date hereof, the Bonds, 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.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the System pursuant to the Bonds and the Resolution are 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 expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying (i) 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 Bonds and (ii) the mathematical calculations of the yield of the Bonds and the yield of certain investments made with the proceeds of the Bonds and other moneys deposited in the Escrow Account.

In this opinion letter rendered in our capacity as bond 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 Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is rendered 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 Nevada System of Higher Education, Universities Revenue Bonds, Series 2016A (the “Bonds”). The Bonds are being issued pursuant to the bond resolution of the Board of Regents of the Issuer adopted on March 4, 2016 (the “Resolution”). 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 Bonds 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 Bonds required to comply with the Rule in connection with an offering of the Bonds.

“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 the March 31st following the end of the Issuer’s fiscal year of each year, commencing on March 31, 2017 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 Bonds.

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 Bonds:

- 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 Bonds, or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution or sale of property securing repayment of the Bonds, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person¹;
- 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.

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 Bonds; (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

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.

by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

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 Bonds, 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 Bonds 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 Bonds, and shall create no rights in any other person or entity.

DATE: April 14, 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 Bond Issue: Nevada System of Higher Education, Universities Revenue Bonds,
Series 2016A

CUSIP:

Date of Issuance: April 14, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution adopted on March 4, 2016 and the Continuing Disclosure Certificate executed on April 14, 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)