Nevada System of Higher Education Financial Statements

June 30, 2018

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

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

Nevada State College
Truckee Meadows Community College
System Administration

BOARD OF REGENTS

ADMINISTRATION

Nevada System of Higher Education
Financial Statements and Report of Independent Certified Public Accountants
As of and for the Year Ended June 30, 2018

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Report of Independent Certified Public Accountants

Board of Regents
Nevada System of Higher Education

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Nevada System of Higher Education (the "System") as of and for the year ended June 30, 2018, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of: Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Truckee Meadows Community College Foundation; Western Nevada College Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; College of Southern Nevada Foundation; and Nevada State College Foundation, which statements collectively reflect total assets constituting 5.2% of the aggregate discretely presented component units total assets as of June 30, 2018 and total operating revenues of 5.7% of the aggregate discretely presented component units total operating revenues for the year then ended as described in note 23 "System Related Organizations." Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for these organizations, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of: Truckee Meadows Community College Foundation; Western Nevada College Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; College of Southern Nevada Foundation; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2018.

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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 opinion.

Opinion

In our opinion, based on our audit and the reports of other auditors, 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, 2018, 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 5 through 14, the schedule of proportionate share of the net pension liability on page 57, the schedule of system contributions for the net pension liability on page 58, the schedule of proportionate share of the net OPEB liability on page 59, the schedule of system contributions for the net OPEB liability on page 60, and the notes to the required schedules for the net OPEB liability on page 61 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 an opinion on the financial statements that collectively comprise the System's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic 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.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 13, 2018, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Grant Thornton LLP

Reno, Nevada
November 13, 2018

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Nevada System of Higher Education

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Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the System) annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2018. 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, 2018 with comparative information as of June 30, 2017.

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 (the System or NSHE) entity:

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

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 Integrated Clinical Services, Inc. and UNLV Medicine, to facilitate patient care activities. The System component units are as follows:

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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
University of Nevada, Las Vegas School of Medicine (SOM)
Rebel Golf Foundation
University of Nevada, Las Vegas Alumni Association
University of Nevada, Las Vegas Rebel Football Foundation
University of Nevada, Las Vegas Rebel Soccer 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 2017 TO 2018 (in $1,000's)

- Total net position decreased 17.2% from $2,173,878 to $1,799,145;
- Capital assets increased 2.5% from $2,210,842 to $2,265,683;
- Operating revenues increased 2.9% from $927,287 to $953,763;
- Nonoperating revenues increased 3.5% from $800,676 to $828,906; and
- Operating expenses increased 6.2% from $1,691,724 to $1,797,310.

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.

Unaudited

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

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

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

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, 2018, with a comparison made to June 30, 2017. 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).

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

	2018	2017	Increase/ (Decrease)	Percent Change
Assets				
Current Assets	$ 958,020	$ 934,171	23,849	3 %
Capital Assets	2,265,683	2,210,842	54,841	2 %
Other Assets	526,385	344,388	181,997	53 %
Total Assets	3,750,088	3,489,401	260,687	7 %
Deferred Outflows of Resources	94,719	93,132	1,587	2 %
Liabilities				
Current Liabilities	306,878	266,676	40,202	15 %
Noncurrent Liabilities	1,678,879	1,092,017	586,862	54 %
Total Liabilities	1,985,757	1,358,693	627,064	46 %
Deferred Inflows of Resources	59,905	49,962	9,943	20 %

Unaudited

Net Position				
Net investment in capital assets	1,581,719	1,566,621	15,098	1 %
Restricted, nonexpendable	87,830	87,453	377	<1 %
Restricted, expendable	396,878	267,647	129,231	48 %
Unrestricted	(267,282)	252,157	(519,439)	(206) %
Total Net Position	$1,799,145	$2,173,878	$ (374,733)	(17) %

Assets

Total assets of the System are currently showing an increase of $260.7 million, or 7%. The increase that occurred in current assets was primarily driven by an increase in the receivable from U.S. Government ($38.2 million) and the increase in capital assets was due to new assets acquired or being constructed during the year. The increase in other assets is primarily due to an increase in the restricted cash accounts both current and noncurrent ($90.8 million), Cash held by State Treasurer ($51.6 million), Receivable from State of Nevada both current and noncurrent ($56.1 million) and Receivable from U.S. Government ($38.2 million). The increase in capital assets is reflective of the purchase and construction of capital assets less normal depreciation for the year.

Liabilities

Total liabilities for the year increased by $627.1 million; a $40.2 million increase in current liabilities and $586.9 million increase in non-current liabilities. The increase in current liabilities was due to an increase in the current portion of long-term debt ($10.8 million), unearned revenue ($17.1 million), accounts payable ($0.9 million) and accrued payroll and related liabilities ($4.2 million). The increase in non-current liabilities was primarily driven by an increase in long-term debt ($105.3 million) and the implementation of GASB 75 which required the System to record an other post-employment benefits (OPEB) liability in fiscal year ending 2018 ($489.2 million).

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a future consumption of net position, increased $1.6 million. This increase relates to an increase in pension related deferred outflows of resources being presented and the adoption of GASB 75 which requires the System to record a deferred outflow related to OPEB. Similarly, deferred inflows of resources, a future acquisition of net position, increased $9.9 million.

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 is 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.

Unaudited

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 $15.1 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and increased debt 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 $519.4 million in 2018, primarily driven by the cumulative adjustment related to the adoption of GASB 75 which resulted in a $491.2 million reduction to the opening balance of unrestricted net position. 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.

System Related Organizations

Net Position (in $1,000's)

	2018	2017	Increase/ (Decrease)	Percent Change
Assets				
Current Assets	$446,910	$421,302	$25,608	6 %
Capital Assets	9,982	7,558	2,424	32 %
Other Assets	345,257	344,565	692	<1 %
Total Assets	802,149	773,425	28,724	4 %
Deferred Outflows of Resources	363	-	363	**
Liabilities				
Current Liabilities	36,557	34,174	2,383	7 %
Noncurrent Liabilities	20,696	3,140	17,556	559 %
Total Liabilities	57,253	37,314	19,939	53 %

Unaudited

Deferred Inflows of Resources	12,041	13,218	(1,177)	(9) %
Net Position				
Net investment in capital assets	8,083	7,080	1,003	14 %
Restricted, nonexpendable	314,447	345,399	(30,952)	(9) %
Restricted, expendable	372,895	332,723	40,172	12 %
Unrestricted	37,793	37,691	102	<1 %
Total Net Position	$733,218	$722,893	$ 10,325	1 %

***not meaningful*

The eighteen campus, athletic foundations and medical practice plans, 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 other current assets offset by decreased unearned revenue and other current liabilities.

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.

The total Change in Net Position for the fiscal year ending June 30, 2018 was $116.4 million compared with $56.4 million for the fiscal year ending June 30, 2017, an increase of approximately $60.0 million.

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

	2018	2017	Increase/ (Decrease)	Percent Change
Operating Revenues				
Student tuition and fees, net	$ 431,319	$ 417,671	$ 13,648	3 %
Grants and contracts, Federal	186,371	175,952	10,419	6 %
Grants and contracts, other	79,690	110,982	(31,292)	(28) %
Sales and services	235,209	192,877	42,332	22 %
Other	21,174	29,805	(8,631)	(29) %
Total Operating Revenues	953,763	927,287	26,476	3 %

Unaudited

Operating Expenses				
Employee comp/benefits	(1,165,247)	(1,107,051)	(58,196)	5 %
Utilities	(31,825)	(29,297)	(2,528)	9 %
Supplies and services	(391,243)	(368,686)	(22,557)	6 %
Scholarships and fellowships	(102,220)	(83,503)	18,717	22 %
Other	(18)	(167)	149	(89)%
Depreciation	(106,757)	(103,020)	(3,737)	4 %
Total Operating Expenses	(1,797,310)	(1,691,724)	(105,586)	6 %
Nonoperating Revenues (Expenses)				
State appropriations	617,180	568,163	49,017	9 %
Federal grants	124,054	115,028	9,026	8 %
Gifts	54,814	58,468	(3,654)	(6) %
Investment income (loss), net	58,393	79,808	(21,415)	(27) %
Disposal of capital assets	(141)	1,319	(1,460)	(111) %
Interest expense	(23,985)	(25,790)	1 ,805	(7) %
Other nonoperating revenues	(1,409)	3,680	(5,089)	(138) %
Total Nonoperating Revenues	828,906	800,676	28,230	4 %
Other Revenues	131,086	20,167	110,919	550%
Net Position				
Increase in Net Position	116,445	56,406	60,039	106 %
Net position, beginning of year, as previously reported	2,173,878	2,117,472	56,406	3 %
Change in accounting principle, GASB 75 adjustments	(491,178)	-	(491,178)	* %
Net position, beginning of year, as restated	1,682,700	2,117,472	(434,772)	(21) %
Net position, end of year	$1,799,145	$2,173,878	$ (374,733)	(17) %

*Not meaningful

Operating revenues increased by $26.5 million (3%) and operating expenses increased by $105.6 million (6%), resulting in an increase in the operating loss of $79.1 million (10%).

Operating Revenue - Student Tuition and Fees increased 3% to $431.3 million primarily as a result of a 4% increase in tuition. Federal grants and contracts experienced an increase of 6% to $186.4 million while State, local and other grants and contracts decreased 28% to $79.7 million.

The increase in operating expenses was driven by an increase in Employee Compensation and Benefits. This increase primarily relates to an increase in the number of employees and a 3% cost of living adjustment for all System employees.

Nonoperating net revenues increased by $28.2 million. This was led by significant increases in State appropriations of $49.0 million and an increase in Federal grants of $9.0 million. These increases were partially offset by a decrease in investment income of $21.4 million, a decrease in gifts of $3.7 million and other nonoperating revenues of $5.1 million.

Unaudited

System Related Organizations (in $1,000s)

Component entities' ending net position increased from 2017 to 2018, as shown in the following schedule.

	2018	2017	Increase/ (Decrease)	Percent Change
Operating Revenues				
Patient revenue	$ 48,680	$ 49,420	$(740)	(1)%
Contract revenue	20,825	9,495	11,330	119 %
Contributions	82,963	111,272	(28,309)	(25) %
Campus support	10,809	7,522	3,287	44 %
Other	17,404	10,998	6,406	58 %
Total Operating Revenues	180,681	188,707	(8,026)	(4) %
Operating Expenses				
Program expenses	(34,953)	(58,807)	23,854	41 %
Other operating expenses	(56,216)	(47,601)	(8,615)	(18) %
Depreciation	(938)	(342)	(596)	(174)%
Total Operating Expenses	(92,107)	(106,750)	14,643	14 %
Nonoperating Revenues (Expenses)				
Investment income, net	35,828	24,279	11,549	48 %
Payments to the System	(123,893)	(60,809)	(63,084)	(104) %
Other nonoperating revenues (expenses)	3,728	27,911	(24,183)	(87) %
Total Nonoperating Revenues (Expenses)	(84,337)	(8,619)	(75,718)	(879) %
Other Revenues (Expenses)	14,664	10,602	4,062	38 %
Net Position				
Increase (Decrease) in Net Position	18,901	83,940	(65,039)	(77) %
Net position, beginning of year, as previously reported	718,844	638,953	79,891	13 %
Change in accounting principle, Contributions receivable	(4,527)	-	(4,527)	(100) %
Net position, beginning of year, as restated	714,317	638,953	75,364	12 %
Net position, end of year	$733,218	$722,893	$10,325	1 %

CASH FLOWS (in $1,000's)

Net cash flows increased when compared to 2017 as discussed further below. Cash flows from operating activities decreased due to payments to employees for compensation and benefits, payments to suppliers, and payments for scholarships and fellowships, offset by increased revenues from tuition and fees and grants and contracts. Net operating cash flows (amount of cash from operating activities) decreased 7%.

Unaudited

	2018	2017	Increase/ (Decrease)	Percent Change
Operating activities	$(716,474)	$(666,919)	$(49,555)	(7) %
Noncapital financing	755,334	750,788	4,546	<1 %
Capital financing activities	17,513	(160,220)	177,733	111 %
Investing activities	61,099	14,434	46,665	323 %
Net increase (decrease) in cash	117,472	(61,917)	179,389	
Cash – beginning of year	267,963	329,880	(61,917)	
Cash – end of year	$ 385,435	$ 267,963	$117,472	

Cash flows from noncapital financing activities increased $4.5 million. This increase was primarily related to the increase in cash received from State appropriations offset by decreased receipts under federal student loan programs. Cash flows from capital financing activities increased $177.7 million, due to increases in proceeds from capital debt and by decreased purchases of capital assets and principal payments. Cash flows from investing activities increased by $46.7 million as a result of investment activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2018, the System had invested $2,265.7 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 $54.8 million over June 30, 2017.

During fiscal year 2018, the System issued $54.8 million of long-term bonds and obligations to finance projects at UNR, $12.5 million of Certificate of Participation to finance a project at TMCC, $ 70.9 million of revenue bonds for CSN and $29.9 million of notes payable to finance projects at UNLV. As of June 30, 2018, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 6.92 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.74 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.

FUTURE FINANCIAL EFFECTS

In recent years the demand for higher education services in Nevada has generally remained flat to a slight increase. In fiscal year 2018, the System realized a net gain of student full time equivalent (FTE) enrollment of 0.8% or 567 FTE students system-wide compared to fiscal year 2017. Student FTE enrollments increased slightly at both universities and one community colleges. Student FTE enrollments decreased slightly at two community colleges and one community college experience flat enrollment. The State College had increased enrollments. These trends are generally consistent with those seen in other public higher education institutions nationally, and the System anticipates enrollments system-wide in fiscal year 2019 will exceed enrollments in fiscal year 2018 with roughly the same trends.

Unaudited

The Legislatively approved System operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The Operating Budget totals $998.8 million for fiscal year 2019. This compares to the fiscal year 2018 Operating Budget of $951.8 million and represents a 4.9% increase. General fund revenues of $655.3 million in fiscal year 2019 will exceed general fund revenues of $622.0 million in fiscal year 2018 by $33.3 million or by 5.4% due mainly to legislative actions funding an increase in career technical education student credit hour weights, an increase in caseload based on completed credit hours, continued growth for the new medical school at the University of Nevada, Las Vegas, and a 3% cost of living adjustment. The fiscal year 2019 general fund appropriation includes $36.2 million for System employee cost of living adjustments appropriated to the State Board of Examiners. The System expects to draw all of the general funds appropriated without reductions or offsets.

Other authorized revenue sources, consisting mainly of student fee revenues, total $343.5 million in fiscal year 2019, approximately $13.7 million more than in fiscal year 2018, due mostly to an increase in enrollments and student registration fees. Student fees remain a consistent 35% of the State Supported Operating Budget and are expected to do so for the foreseeable future.

Student enrollment system-wide is anticipated to slightly exceed projected and budgeted enrollment in fiscal year 2019, as it did in 2018, and therefore pursuant to Senate Bill 545 of the 2017 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. As before, it is expected that these funds will be expended in direct support of the increased student enrollments through instruction and related support services.

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.

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF NET POSITION (in $1,000's)
AS OF JUNE 30, 2018

	System	System Related Organizations
ASSETS		
Current Assets		
Cash and cash equivalents	$ 178,144	$ 96,105
Restricted cash and cash equivalents	13,436	5,642
Short-term investments	585,303	285,869
Accounts receivable, net	38,065	2,545
Receivable from U.S. Government	77,646	-
Receivable from State of Nevada	24,195	-
Pledges receivable, net	1,741	28,218
Patient accounts receivable, net	-	13,502
Current portion of loans receivable, net	1,571	1
Due from affiliates	19,366	-
Inventories	7,423	368
Deposits and prepaid expenditures, current	11,084	3,323
Other current assets	46	11,337
Total Current Assets	958,020	446,910
Noncurrent Assets		
Cash held by State Treasurer	54,283	-
Restricted cash and cash equivalents	139,572	-
Due from affiliates	19,327	-
Receivable from State of Nevada	54,028	-
Investments	-	64,902
Restricted investments	-	12,275
Endowment investments	251,163	195,736
Deposits and prepaid expenditures	568	-
Loans receivable, net	7,368	28
Capital assets, net	2,265,683	9,982
Pledges receivable, net	-	47,498
Other noncurrent assets	76	24,818
Total Noncurrent Assets	2,792,068	355,239
TOTAL ASSETS	3,750,088	802,149
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	64,715	-
OPEB related	15,701	-
Loss on bond refunding	14,303	-
Intra-equity sales of future revenues	-	363
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 94,719	$ 363

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF NET POSITION (in $1,000's) (CONTINUED)
AS OF JUNE 30, 2018

	System 2018	System Related Organizations 2018
LIABILITIES		
Current Liabilities		
Accounts payable	$ 48,995	$ 4,782
Accrued payroll and related liabilities	88,044	1,552
Unemployment insurance and workers compensation	7,362	-
Due to State of Nevada	512	-
Current portion of compensated absences	35,068	-
Current portion of long-term debt	44,429	-
Current portion of obligations under capital leases	1,333	228
Accrued interest payable	14,348	1
Unearned revenue	58,200	4,004
Funds held in trust for others	5,006	29
Due to affiliates	3,174	20,497
Other current liabilities	407	5,464
Total Current Liabilities	306,878	36,557
Noncurrent Liabilities		
Refundable advances under federal loan programs	7,236	-
Compensated absences	15,485	320
Unearned revenue	627	455
Long-term debt	733,696	-
Obligations under capital leases	48,635	693
Net pension liability	383,226	-
Net OPEB Liability	489,199	-
Due to affiliates	-	14,611
Other noncurrent liabilities	775	4,617
Total Noncurrent Liabilities	1,678,879	20,696
TOTAL LIABILITIES	1,985,757	57,253
DEFERRED INFLOWS OF RESOURCES		
Pension related	29,202	-
OPEB related	30,448	-
Gain on bond refunding	255	-
Split-interest agreements	-	5,319
Deferred lease revenue	-	6,722
TOTAL DEFERRED INFLOWS OF RESOURCES	59,905	12,041
NET POSITION		
Net investment in capital assets	1,581,719	8,083
Restricted - Nonexpendable	87,830	314,447
Restricted - Expendable - Scholarships, research and instruction	179,334	364,456
Restricted - Expendable - Loans	6,991	-
Restricted - Expendable - Capital projects	175,236	141
Restricted - Expendable - Debt service	35,317	-
Restricted - Expendable - Other	-	8,298
Unrestricted	(267,282)	37,793
TOTAL NET POSITION	$ 1,799,145	$ 733,218

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION (in $1,000's)
FOR THE YEAR ENDING JUNE 30, 2018

	System	System Related Organizations
Operating Revenues		
Student tuition and fees (net of scholarship allowance of $172,752)	$ 431,319	$ -
Federal grants and contracts	186,371	-
State grants and contracts	50,912	-
Local grants and contracts	2,261	-
Other grants and contracts	26,517	-
Campus support	-	10,809
Sales and services of educational departments (including $31,416 from System Related Organizations)	138,010	-
Sales and services of auxiliary enterprises (net of scholarship allowance of $6,959)	97,199	-
Contributions	-	82,963
Patient revenue	-	48,680
Contract revenue	-	20,825
Special events and fundraising	-	2,040
Interest earned on loans receivable	284	-
Other operating revenues	20,890	15,364
Total Operating Revenues	953,763	180,681
Operating Expenses		
Employee compensation and benefits	(1,165,247)	(34,281)
Utilities	(31,825)	-
Supplies and services	(391,243)	(20,968)
Scholarships and fellowships	(102,220)	(342)
Program expenses, System Related Organizations	-	(34,953)
Depreciation	(106,757)	(938)
Other operating expenses	(18)	(625)
Total Operating Expenses	(1,797,310)	(92,107)
Operating Income (Loss)	(843,547)	88,574
Nonoperating Revenues (Expenses)		
State appropriations	617,180	-
Gifts (including $48,000 from System Related Organizations)	54,814	-
Investment income (loss), net	58,393	35,828
Gain/(Loss) on disposal of capital assets	(141)	678
Interest expense	(23,985)	(190)
Intergovernmental revenue	-	1,840
Payments to System campuses and divisions	-	(123,893)
Other nonoperating revenues	(1,409)	1,400
Federal grants and contracts	124,054	-
Total Nonoperating Revenues (Expenses)	828,906	(84,337)
Income (Loss) Before Other Revenue (Expenses)	(14,641)	4,237
Other Revenues		
State appropriations restricted for capital purposes	88,781	-
Capital grants and gifts (including $42,647 from System Related Organizations)	44,484	-
Additions/(Deductions) to permanent endowments (including $(2,143) from System Related Organizations)	(2,179)	14,304
Other Foundation expenses	-	360
Total Other Revenues	131,086	14,664
Increase in Net Position	116,445	18,901
NET POSITION		
Net position - beginning of year	2,173,878	718,844
Change in Accounting Principle, GASB 75 adjustments	(491,178)	-
Change in Accounting Policy	-	(4,527)
Net position - beginning of year as restated	1,682,700	714,317
Net position - end of year	$ 1,799,145	$ 733,218

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF CASH FLOWS (in $1,000's)
AS OF JUNE 30, 2018

	System
Cash flows from operating activities	
Tuition and fees	$ 435,148
Grants and contracts	260,422
Payments to suppliers	(400,440)
Payments for utilities	(31,213)
Payments for compensation and benefits	(1,158,121)
Payments for scholarships and fellowships	(102,270)
Loans issued to students and employees	878
Collection of loans to students and employees	282
Sales and services of auxiliary enterprises	96,771
Sales and services of educational departments	161,717
Other receipts	20,352
Cash flows from operating activities	(716,474)
Cash flows from noncapital financing activities	
State appropriations	608,340
State appropriations refunded	(2)
Gifts and grants for other than capital purposes	42,339
Gift for endowment purposes	(2,167)
Receipts under federal student loan programs	160,501
Disbursements under federal student loan programs	(172,709)
Loan advances to system related organizations	(15,317)
Proceeds from notes payable	14,650
Other	(297)
Agency transactions	(28)
Federal grants and contracts	120,024
Cash flows from noncapital financing activities	755,334
Cash flows from capital and related financing activities	
Proceeds from capital debt	162,355
Other	(24)
Payments for debt issuance costs	(1,073)
Capital appropriations	50,182
Capital grants and gifts received	37,648
Bond issuance and refunding	(310)
Purchases of capital assets	(143,930)
Proceeds from sale of property and equipment	(793)
Principal paid on capital debt and leases, including defeasance	(61,074)
Interest paid on capital debt and leases	(25,535)
Deposits for the acquisition of property and equipment	67
Cash flows from capital and related financing activities	17,513
Cash flows from investing activities	
Proceeds from sales and maturities of investments	109,549
Purchase of investments	(61,790)
Interest and dividends received on investments	12,208
Net decrease in cash equivalents, noncurrent investments	1,132
Cash flows from investing activities	61,099
Net increase in cash	117,472
Cash and cash equivalents, beginning of year	267,963
Cash and cash equivalents, end of year	$ 385,435

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF CASH FLOWS (in $1,000's) (CONTINUED)
AS OF JUNE 30, 2018

	System
Reconciliation of operating loss to cash flows from operating activities	
Operating loss	$ (843,547)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	950
Depreciation and amortization expense	106,757
Change in pension related deferred outflows of resources	14,496
Change in pension related deferred inflows of resources	(20,430)
Change in OPEB related deferred outflows of resources	(1,993)
Change in OPEB related deferred inflows of resources	30,448
Changes in assets and liabilities:	
Accounts receivable, net	12,814
Receivable from U.S. Government	(25,744)
Receivable from State of Nevada	(6,271)
Loans receivable, net	994
Inventories	531
Due from other institutions	(6,162)
Due to/from related entities	18,167
Deposits and prepaid expenditures	843
Accounts payable	(588)
Accrued payroll and related liabilities	4,225
Unemployment and workers' compensation insurance liability	1,364
Unearned revenue	17,074
Refundable advances under federal loan program	(240)
Compensated absences	861
Net pension liability	(6,126)
Net OPEB liability	(15,685)
Other	788
Cash flows from operating activities	$ (716,474)
Supplemental noncash activities information	
(Loss) on disposal of capital assets	$ (217)
Capital assets acquired by gifts	$ 6,836
Capital assets acquired by incurring capital lease obligations and accounts payable	$ 16,028
Unrealized gain on investments	$ 35

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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

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)
Desert Research Institute (DRI)
Truckee Meadows Community College (TMCC)
Western Nevada College (WNC)
Great Basin College (GBC)
University of Nevada, Las Vegas (UNLV)
College of Southern Nevada (CSN)
Nevada State College (NSC)
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, athletic foundations and medical school practice plans, which include: University of Nevada, Reno Foundation, Athletic Association University of Nevada, Integrated Clinical Services, Inc., UNLV Medicine, 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 Rebel Soccer Foundation, University of Nevada, Las Vegas Singapore Unlimited, 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, 2018, the foundations distributed $123,893 to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Stephanie Shepherd, System Controller 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, 2018, ICS distributed $6,953 to the System for restricted purposes for salaries and Dean's support. Complete financial statements for ICS can be obtained from Stephanie Shepherd, System Controller at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

In addition to ICS, UNLV Medicine ("UNLV Med") is a legally separate non-profit organization that is included as a System Related Organization. UNLV Medicine was incorporated as a not-for-profit corporation on April 14, 2017, under the name UNLV Medicine, Inc. The mission and goals of the corporation are to do and perform every act or acts necessary as an "affiliated group" with the School of Medicine to implement an academic medical center with all the legal rights and authority granted to such a center under state and federal law, develop an effective clinical practice environment to support the teaching, education, training and clinical research missions of the School of Medicine and its physicians. During the year ended June 30, 2018, UNLV Med distributed $25,361 to the System for restricted purposes for salaries and Dean's support. Complete financial statements for UNLV Med can be obtained from Stephanie Shepherd, System Controller at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

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,* and 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.

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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

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

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of $5 in the year ended June 30, 2018 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 $3,207 was capitalized during the year ended June 30, 2018. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Assets	Year
Buildings and improvements	40
Land improvements	10 to 15
Machinery and equipment	3 to 11
Library books	5
Leasehold improvements	shorter of useful life or lease term
Intangible assets	10

Collections are capitalized at the acquisition 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.

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 Statement 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.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of NSHE's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Plan assets are measured at market value.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position includes 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. The System has pension related, other post-employment benefits related and loss on bond refunding balances of $64,715, $15,701 and $14,303, respectively, at June 30, 2018. Pension related deferred outflows of resources are discussed in depth in Note 17 and other post-employment benefits related deferred outflows of resources are discussed in depth in Note 18. 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. System Related Organizations have Intra-equity sales of future revenues of $363 at June 30, 2018.

In addition to liabilities, the Statement of Net Position includes 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. The System has pension related, other post-employment benefits related and gain on bond refunding balances of $29,202, $30,448 and $255, respectively, at June 30, 2018, while the System Related Organizations have split-interest agreements and unearned lease revenue of $5,319 and $6,722, respectively, at June 30, 2018.

Pension related deferred inflows of resources are discussed in depth in Note 17. Other post-employment benefits related deferred inflows of resources are discussed in Note 18. 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. Unearned 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.

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.

FAIR VALUE

The System follows the provisions of the fair value measurement standard which defines the fair value of assets, establishes a framework for measuring the fair value of assets, and outlines the required disclosures related to fair market value measurements. The standard defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

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

The standard established a fair value hierarchy for disclosure that classifies inputs for valuation techniques into three levels as follow:

Level 1 – Observable inputs are readily available quoted prices (unadjusted) for *identical* assets or liabilities in active markets that a government can access at the measurement date. In the table below, the System's Level 1 assets consist of cash and cash equivalents, bonds, mutual funds and commingled funds with observable market prices. The System does not adjust quoted prices for these investments.

Level 2 – Inputs for the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs are unobservable inputs for an asset or liability in which there is little or no market data. Assets in this category generally include investments where independent pricing information was not obtainable for a significant portion of the underlying assets.

Net Asset Value ("NAV") – The amount of net assets attributable to each share of capital stock or partnership interest (other than senior equity securities, that is, preferred stock) outstanding at the close of the period.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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.

UNLV MEDICINE (SOM)

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 include differences between established billing rates and amounts reimbursable under various contractual agreements. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net patient service revenues. Substantially all of the Organization's operating expenses are directly or indirectly related to patient care activities.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

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

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, 2018 was $10,901.

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 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 System adopted GASB Statement No 75. in its year ended June 30, 2018. See Note 18 for additional disclosure on NSHE's implementation of GASB Statement No. 75

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities or all state and local governments. GASB 84 is effective for fiscal years beginning after December 15, 2018. The anticipated impact of this pronouncement is uncertain at this time.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishment of debt. The Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. GASB 86 is effective for fiscal years beginning after June 15, 2017. This Statement had no impact on the Systems financial statements for the fiscal year ending June 30, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases,* which addresses information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 is effective for fiscal years beginning after December 15, 2019. The anticipated impact of this pronouncement is uncertain at this time.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities government entities should include when disclosing information related to debt. This Statement will be effective for reporting periods beginning after June 15, 2018 and the impact is uncertain at this time.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify account for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2019. 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, 2018, the System's deposits in money market funds totaled $212,471, and cash in bank was $4,512. Of these balances, $250 each year 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 – Disclosures About Fair Value of Financial Instruments:

Investments at Fair Value

The System's investment holdings as of June 30, 2018 categorized in accordance with the fair value hierarchy are summarized in the following table:

	Level 1 fair value	Level 2 fair value	Level 3 fair value	NAV	Total
Cash and cash equivalents	$217,960	$ -	$ -	$ -	$ 217,960
Charitable trusts	4,313	-	-	-	4,313
Domestic equity	198,374	-	-	19,663	218,037
Emerging market equity	1,380	-	-	6,404	7,784
Fixed income	135,655	550		129,450	265,655
International equity	131,592	-	-	33,353	164,945
Marketable alternatives	-	-	-	38,218	38,218
Multi-strategy	20,883	-	-	75,137	96,020
Private growth	-	-	-	32,664	32,664
Real assets	4,785	-	-	10,033	14,818
	$714,942	$550	$-	$344,922	$1,060,414

Disclosure of investments valued at NAV:

Assets included in the net asset value column in the above table represent assets held in the System's Operating and Endowment Fund and are classified as either private partnerships or marketable alternatives. Investment strategies within these classifications can be broken down into eight major investment categories:

- *Private Growth* – Strategies consist of private equity, private venture capital and private natural resources. Assets in this category are either illiquid or have significant redemption restrictions. Unfunded commitments of $24,358 to private equity/venture capital funds are outstanding as of June 30, 2018.
- *Marketable Alternatives* – Assets in the marketable alternative category have a broad mandate and/or incorporate hedging strategies and have significant redemptions restrictions.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 – Disclosures About Fair Value of Financial Instruments (continued):

- *Real Assets* – The System's holding in the real assets valued at NAV consists of funds which primarily invests in securities of publicly traded C-corporations, Master Limited Partnerships and certain private placement transactions.
- *Fixed Income* – The System's fixed income holdings valued at NAV consist of private and commingled funds with core fixed and short duration strategies.
- *Domestic Equity* – The System's holdings valued at NAV within the domestic equity category consists of one commingled fund with a broad mandate which seeks to outperform the S&P 500 index.
- *Multi-Strategy* – Assets in the multi-strategy valued at NAV consist of one fund which seeks to provide long-term capital growth by investing in domestic and foreign stocks, real assets, and bonds.
- *International Equity* – The System's holdings at NAV within the International equity category consist of private commingled funds primarily focused on value.
- *Emerging Market Equity* – The System's holdings at NAV within Emerging Market category consist of private commingled funds which look to achieve long-term capital appreciation while investing in equity securities or equity-linked instruments of companies located in emerging market countries.

The table below summarizes redemption restrictions for investments valued at NAV:

SUMMARY OF REDEMPTION RESTRICTIONS FOR INVESTMENTS VALUED AT NAV

	Redemption Frequency	**Days' Notice (if applicable)**	**Remaining Life for Partnership**
Marketable Alternatives	Daily, Monthly, Quarterly, Semi-Annually, Annually	90	N/A
Private equity/venture capital	Illiquid	N/A	7 to 12 years
Domestic Equity	Daily, Monthly, Quarterly	0-3	N/A
Fixed income	Daily, Monthly	Same Day	N/A
Emerging Market Equity	Daily, Weekly, Monthly	N/A	N/A
International Equity	Daily, Monthly	N/A	N/A
Real Assets	Daily, Monthly, Quarterly	0-110 days	N/A
Multi-Strategy	Daily	N/A	N/A

NOTE 5 – 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. There was no significant change of policy this fiscal year. The System sold most of the assets in the endowment fund and purchased different assets. The asset allocation categories may change from year to year.

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2018 is as follows:

	Cost	Market Value
Mutual funds publicly traded	$376,225	$491,187
Partnerships	36,746	51,534
Endowment cash and cash equivalents	976	976
Trusts	3,290	4,313
Private commingled funds	280,761	295,414
	697,998	843,424
Less: GBC Foundation Endowments	(6,958)	(6,958)
	$691,040	$836,466

As of June 30, 2018, 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 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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – System Investments (continued):

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, 2018 is as follows:

	Fair Value	Not Rated
Mutual funds publicly traded	$491,187	$491,187
Partnerships	51,534	51,534
Endowment cash and cash equivalents	976	976
Trusts	4,313	4,313
Private commingled funds	295,414	295,414
	843,424	843,424
Less: GBC Foundation Endowments	(6,958)	(6,958)
	$836,466	$836,466

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, 2018 is as follows:

	2018
Less than 1 year	$219,270
1 to 5 year	155,624
5 to 10 year	121,602
	$496,496

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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5 – System Investments (continued):

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, 2018, 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 $176,330 in mutual funds and commingled funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2018.

NOTE 6 – System Endowment Pool:

At June 30, 2018, $253,811 of endowment fund investments were pooled on a unit market value basis. As of June 30, 2018, the endowment pool was comprised of investments in mutual funds (9%), partnerships (19%), and private commingled (72%). 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, 2018 was $828.77. 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, 2018, 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 2018, $22.53 was distributed to each time-weighted eligible unit for a total spending rule distribution of $9,212. The 2018 distributions were made from investment income of $614, and from cumulative gains of pooled investments of $9,826.

The System's policy is to retain the endowments' 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 $164,603 at June 30, 2018 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, 2018, there were no accounts underwater.

NOTE 7 – 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 $45,623 as of June 30, 2018.

Accounts receivable:	2018
Student tuition and fees	$58,366
Sales and services	14,545
Local and private grants and contracts	10,397
Other	380
	83,688
Less: Allowance for doubtful accounts	(45,623)
Net accounts receivable	$38,065

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 – 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, 2018. 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, 2018 are as follows:

	2018
Loans receivable	$10,483
Less: Allowance for doubtful loans	(1,544)
Net loans receivable	8,939
Less current portion	(1,571)
Noncurrent loans receivable	$ 7,368

NOTE 9 – System Capital Assets:

System capital asset activity for the year ended June 30, 2018 is as follows:

	2018			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 93,735	$96,071	$(73,914)	$ 115,892
Land	152,585	10,788	(211)	163,162
Land improvements	288	-	-	288
Intangibles	642	-	-	642
Collections	11,775	167	(45)	11,897
Total capital assets not being depreciated	259,025	107,026	(74,170)	291,881
Capital assets being depreciated:				
Buildings	2,732,730	94,543	-	2,827,273
Land improvements	156,076	6,017	-	162,093
Machinery and equipment	373,742	26,479	(14,159)	386,062
Intangibles	44,680	1,829	-	46,509
Library books and media	122,217	1,778	(1,256)	122,739
Total	3,429,445	130,646	(15,415)	3,544,676
Less accumulated depreciation for:				
Buildings	(941,291)	(69,267)	(188)	(1,010,746)
Land improvements	(107,313)	(6,182)	-	(113,495)
Machinery and equipment	(282,194)	(24,328)	12,443	(294,079)
Intangibles	(29,925)	(4,581)	-	(34,506)
Library books and media	(116,905)	(2,399)	1,256	(118,048)
Total accumulated depreciation	(1,477,628)	(106,757)	13,511	(1,570,874)
Total capital assets being depreciated, net	1,951,817	23,889	(1,904)	1,973,802
Capital assets, net	$2,210,842	$130,915	$(76,074)	$2,265,683

In 2018, the total amount recognized as a loss on disposal of assets was immaterial.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 – 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.

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NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 – System Long-Term Debt (continued):

System long-term debt activity for the year ended June 30, 2018 is as follows:

				2018				
	Annual Interest Rate	Fiscal Year Final Payment Date	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	$60,135	$ 4,245	$ -	($1,355)	$2,890	$1,415
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	2,770	-	(660)	2,110	680
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	28,860	-	(26,575)	2,285	735
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	705	-	(705)	-	-
Universities Revenue Bonds, Series 2011A	3.00% to 5.00%	2025	50,470	27,135	-	(5,455)	21,680	5,685
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	25,965	-	-	25,965	-
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	2,760	-	(590)	2,170	605
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2033	40,035	33,415	-	(650)	32,765	1,325
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2035	105,300	104,340	-	(5,215)	99,125	5,380
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	47,895	-	(1,325)	46,570	1,390
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	-	(680)	6,800	695
Universities Revenue Bonds, Series 2016A	3.125% to 5.00%	2039	57,750	57,750	-	(100)	57,650	100
Universities Revenue Bonds, Series 2016B	2.50% to 5.00%	2036	13,580	13,580	-	-	13,580	480
Universities Revenue Bonds, Series 2017A	3.25% to 5.00%	2041	25,905	-	25,905	-	25,905	-
Community College Revenue Bonds, Series 2017A	3.00% to 5.00%	2047	70,915	-	70,915	-	70,915	2,200
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	32,755	-	(680)	32,075	700
Certificates of Participation, Series 2016A	2.00% to 5.00%	2047	63,095	63,095	-	(1,535)	61,560	2,540
Certificates of Participation, Series 2016B	1.65% to 4.72%	2047	50,405	50,405	-	(990)	49,415	1,010
Certificates of Participation, Series 2017A	3.00% to 5.00%	2047	28,890	-	28,890	-	28,890	860
Certificates of Participation, Series 2018A	4.00% to 5.00%	2049	12,475	-	12,475	-	12,475	-
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	3,955	-	(545)	3,410	585
Discounts				(8)	-	2	(6)	(2)
Premiums				39,308	8,469	(3,203)	44,574	3,265
Total Bonds Payable				607,865	146,654	(50,261)	704,258	29,648
Notes Payable				54,150	29,947	(10,230)	73,867	14,781
Total				$662,015	$176,601	$(60,491)	$778,125	$44,429

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 – System Long-Term Debt (continued):

System notes payable activity for the year ended June 30, 2018 is as follows:

			2018		
	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Bank of America, CSN Promissory Note	1.88%	01/03/13	06/01/23	10,000	$ 5,234
JP Morgan Chase, UNR Achievement Center	Variable*	02/26/14	07/01/19	Maximum 12,000	1,183
JP Morgan Chase, UNR Fitness Center	Variable**	08/14/14	01/01/20	Maximum 16,000	4,866
Wells Fargo Bank, UNLV Hotel College Academic Bldg	Variable***	12/15/15	01/03/23	Maximum 19,900	13,157
Wells Fargo Bank, UNR MED Refunding	1.80%	04/21/16	01/02/26	7,570	6,715
Wells Fargo Bank, UNR Scoreboard	2.01%	05/05/16	03/01/21	3,305	1,641
Key Government Finance, Inc., UNR Fine Arts Building	2.02%	04/20/17	07/01/22	11,326	9,524
US Bank, UNLV SOM funding	Variable****	06/28/2017	06/28/2024	Maximum 19,000	14,700
ZionsBankcorp, UNLV Football facility	1.98%	11/9/2017	07/01/2023	15,297	15,297
Other notes payable	1.74% - 5.16%	Various	Various	Various	1,550
					$73,867

* 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.

***The variable interest rate is calculated based on 70% of one-month LIBOR plus a spread of 0.75%. The rate is reset monthly, and interest only accrues based on the outstanding principal.

**** The variable interest rate is equal to the one-month LIBOR rate plus a spread of 0.54%. The rate is reset monthly, and interest only accrues based on the outstanding principal.

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NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 – System Long-Term Debt (continued):

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

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

	Principal	Interest	Total
2019	$ 44,429	$ 32,983	$ 77,412
2020	44,366	30,970	75,336
2021	42,435	28,834	71,269
2022	42,580	26,511	69,091
2023	41,937	24,977	66,914
2024-2028	154,463	102,075	256,538
2029-2033	151,807	69,464	221,271
2034-2038	123,480	38,968	162,448
2039-2043	75,987	19,303	95,290
2044-2048	55,952	4,937	60,889
2049-thereafter	689	0	689
Total	$778,125	$379,022	$1,157,147

NOTE 11 – 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 2019 to 2056.

System obligations under capital leases were as follows for the year ended June 30, 2018:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current
Capital lease obligations	$51,224	$70	$(1,326)	$49,968	$1,333

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2018:

	2018
Buildings and improvements	$51,796
Machinery and equipment	885
Total	52,681
Less accumulated depreciation	(2,362)
Total	$50,319

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 11 – System Obligations Under Capital Leases (continued):

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

2019	$ 3,711
2020	3,729
2021	3,577
2022	3,518
2023	3,516
2024-2028	15,543
Thereafter	50,734
Total minimum lease payments	84,328
Less amount representing interest	(34,360)
Obligations under capital leases	$49,968

Total interest expense under the System capital leases and included in the accompanying combined financial statements was $51 during the year ended June 30, 2018. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Position. Included in the capital lease obligations is a building lease for NSC with the State of Nevada.

NOTE 12 – Operating Leases:

The System has entered into various noncancelable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was $7,259 for year ended June 30, 2018.

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

2019	$ 7,098
2020	5,566
2021	5,287
2022	4,930
2023	3,411
2024-2028	97
Total future minimum obligation	$26,389

NOTE 13 – 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, 2018 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Unemployment insurance	$2,997	$1,784	$(719)	$4,062
Workers compensation	3,000	3,300	(3,000)	3,300
Total	$5,997	$5,084	$(3,719)	$7,362

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

NOTE 14 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under federal loans program	$ 7,714	$ 586	$ (1,064)	$ 7,236	$ -
Compensated absences	49,837	39,870	(39,154)	50,553	35,068
Unearned revenue	41,755	56,643	(39,571)	58,827	58,200
Other noncurrent liabilities	822	152	(199)	775	-
Total	$100,128	$ 97,251	$(79,988)	$117,391	$93,268

NOTE 15 – Extinguishment of Debt:

In prior years, the System defeased outstanding bonds and obligations by placing the proceeds of new bonds into 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 the System's financial statements. At June 30, 2018, $59,640 of bonds outstanding were considered defeased.

In prior years, the System refinanced or defeased existing bonds for net cash flow savings or economic gain (present value of cash flow savings). At June 30, 2018, the System refinanced $26,575 of bonds outstanding.

NOTE 16 – 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, 2018 was $1,993. 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, 2018.

NOTE 17 – 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 System Retirement Plan Alternative, a defined contribution retirement plan qualified under Internal Revenue Code Section 401(a).

Under the System 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 System 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, 2018 was approximately $110,494, 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.

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

NOTE 17 – System Pension Plans (continued):

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, allows 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.

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, 2018 the Statutory Employer/employee matching rate was 14.5%. The Employer-pay contribution (EPC) rate was 28%.

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

At June 30, 2018, the System reported a liability of $383,226 for its proportionate share of the net pension liability. The System'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, 2018. The System's proportionate share is approximately 2.88%.

For the year ended June 30, 2018, the System recognized pension expense of $11,921. At June 30, 2018 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	$ -	$25,148
Changes of assumptions	25,424	-
Net difference between projected and actual earnings on investments	2,488	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	9,774	4,054
System contributions subsequent to the measurement date	27,030	-
	$64,716	$29,202

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 17 – System Pension Plans (continued):

In 2018, $27,030 was 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. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows for the years ended June 30:

2019	$21,093
2020	(27,305)
2021	(7,051)
2022	19,226
2023	(9,942)
Thereafter	(4,505)
	$ (8,484)

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2017 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	2.75%
Payroll Growth	5.00%, including inflation
Investment Rate of Return	7.50%
Productivity pay increase	0.5%
Projected salary increases	4.25% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.75%
Other assumptions	Same as those used in the June 30, 2016 funding Actuarial valuation

Mortality rates for healthy participants were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For disabled participants, mortality rates were based on the Headcount – Weighted RP-2014 Disabled Retiree Table, set forward four years.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

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, 2017:

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

*As of June 30, 2017, PERS' long-term inflation assumption was 2.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2017. 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, 2017, 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, 2017.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 17 – System Pension Plans (continued):

Pension Liability Discount Rate Sensitivity

The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
NSHE's proportional share of the net pension liability	$579,330	$383,226	$220,358

Pension plan fiduciary net position

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

NOTE 18 – System Postemployment Benefits Other than Pensions:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which requires the liability of employers and nonemployers contributing entities to employees for defined benefit OPEB to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees/ past periods of service, less the amount of the OPEB plan's fiduciary net position. The adoption of GASB Statement No. 75, resulted in an adjustment to the opening balance of NSHE's net position in the amount of $491,178 which is noted on the Statement of Revenues, Expenses and Change in Net Position for the fiscal year ending June 30, 2018.

Officers and employees of NSHE are provided with OPEB through the Nevada Public Employees' Benefits Program (PEBP)-- a cost-sharing multiple-employer defined benefit OPEB plan. The program is administered by the PEBP Board, whose ten members are appointed by the governor. NRS 287.023 provides officers and employees eligible to be covered by any group insurance, plan of benefits or medical and hospital service established pursuant to NRS 287 the option upon retirement to cancel or continue any such coverage. The cost to administer the program is financed through the contributions and investment earnings of the plan. The PEBP Board is granted the authority to establish and amend the benefit terms of the program. (NRS 287.043) PEBP issues a publicly available financial report that includes financial statements and the required supplementary information for the plan. That report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

Benefits provided

Benefits other than pensions are provided to eligible retirees and their dependents through the payment of subsidies by the PEBP. Benefits include health, prescription drug, dental, and life insurance coverage. The "base" subsidy rates are set by PEBP and approved by the Legislature and vary depending on the number of dependents and the medical plan selected. These subsidy rates are subtracted from the premium to arrive at the "participant premium". The "years of service" subsidy rates are then used to adjust the "participant premium" based on years of service. The current subsidy rates can be found at pebp.state.nv.us. As required by statute, benefits are determined by the number of years of service at the time of retirement and the individual's initial date of hire. Officers and employees hired after December 31, 2011 are not eligible to receive subsidies to reduce premiums. The following individuals and their dependents are eligible to receive benefits from the Retirees' Fund:

Any PEBP covered retiree with state service whose last employer was the state or a participating local government entity and who:

- Was initially hired by the state prior to January 1, 2010 and has at least five years of public service: or
- Was initially hired by the state on or after January 1, 2010, but before January 1, 2012 and has at least fifteen years of public service: or
- Was initially hired by the state on or after January 1, 2010, but before January 1, 2012 and has at least five years of public service and has a disability: or
- Any PEBP covered retiree with state service whose last employer was not the state or a participating local government entity and who has been continuously covered under PEBP as a retiree since November 30, 2008.

State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. Participating local government agency is defined as a county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency that has an agreement in effect with PEBP to obtain group insurance.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Contributions

The State Retirees' Health and Welfare Benefits Fund (Retirees' Fund) was established in 2007 by the Nevada Legislature as an irrevocable trust fund to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees (NRS 287.0436). The money in the Retirees' Fund belongs to the officers, employees and retirees of the State of Nevada in aggregate; neither the State nor the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State, nor any single officer, employee or retiree of any such entity has any right to the money in the Retirees' Fund.

The authority for establishing an assessment to pay for a portion of the cost of premiums or contributions for the program is in statute. The Office of Finance shall establish an assessment that is to be used to pay for a portion of the cost of premiums or contributions for the Program for persons who were initially hired before January 1, 2012 and have retired with state service. The money assessed must be deposited into the Retirees' Fund and must be based upon a base amount approved by the Legislature each session to pay for a portion of the current and future health and welfare benefits for persons who retired before January 1, 1994, or for persons who retire on or after January 1, 1994, as adjusted by the years of service subsidy rates. (NRS 287.046) The required contribution rate for employers (the retired employees group insurance rate), as a percentage of covered payroll, for the fiscal year ended June 30, 2018 was 2.35%. NSHE contributions recognized as part of OPEB expense for the current fiscal year ended June 30, 2018 were $15,701.

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2018, NSHE reported a liability of $489,199 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2018. NSHE's proportion of the collective net OPEB liability was based on the NSHE's share of contributions in the OPEB plan relative to the total contributions of all participating OPEB employers and members. At June 30, 2018, the State's proportion was 37.5906%.

For the year ended June 30, 2018, NSHE recognized OPEB expense of $29,063. At June 30, 2018, NSHE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience		
Changes of assumptions	$ -	$ 30,410
Net difference between projected and actual investment earnings on OPEB plan investments	-	38
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
State contributions subsequent to the measurement date	15,701	-
Total	$15,701	$30,448

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Of the total amount reported as deferred outflows of resources related to OPEB, $15,701 results from NSHE contributions subsequent to the measurement date and before the end of the fiscal year which are included as a reduction of the collective net OPEB liability in the year at June 30, 2018. This deferred outflow will be recognized as expense in fiscal 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	$ (8,055)
2020	(8,055)
2021	(8,055)
2022	(6,283)
Thereafter	-
Total	$ (30,448)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 1.00% to 10.65%, including inflation
Investment rate of return	3.58%, based on a 20-Year Municipal Bond Index
Healthcare cost trend rates	For medical and prescription drug benefits, this amount initially is at 6.5% and decreases to a 5.00% long-term trend rate after six years. For dental benefits and Part B Premiums, the trend rate is 4.00% and 4.5%, respectively.

Regular mortality rates were based on the RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females. Police/Fire mortality rates were based on the RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set forward one year. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality projected to 2014 with Scale AA, set forward three years.

The actuarial assumptions used in the January 1, 2018 valuation were based upon certain demographic and other actuarial assumptions as recommended by Aon, in conjunction with the State and guidance from the GASB statement.

The Nevada Legislature established the Retirement Benefits Investment Fund (RBIF), effective July 1, 2007 with the purpose to invest contributions made by participating public entities, as defined by NRS 355.220 to enable such entities to support financing of OPEB at some time in the future. NRS 355.220(2) requires that any money in the RBIF must be invested in the same manner as money in the Public Employees' Retirement System of Nevada Investment Fund is invested. See Note 17 for a description of the PERS Board Investment policy. As of June 30, 2018, the balance of the investments held by the Fund was $1,602,029 and the net position restricted for other postemployment benefits was $1,597,327.

Discount rate

The discount rate used to measure the total OPEB liability was 3.58%, which is consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The assets in the trust as of June 30, 2017 are less than the expected benefit payments in the first year; therefore, the crossover period is assumed to be in the first year, which provides additional support for using the discount rate at the 20-Year Municipal Bond Index rate. The Retiree Plan's fiduciary net position as of June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. The OPEB plan is funded on a pay-as-you-go basis, and therefore the discounted rate is equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate of 3.58%.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Sensitivity of the NSHE's proportionate share of the collective net OPEB liability to changes in the discount rate

The following presents the NSHE's proportionate share of the collective net OPEB liability, as well as what the NSHE's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
NSHE's proportionate share of the collective net OPEB liability	$541,548	$489,199	$443,848

Sensitivity of NSHE's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following presents NSHE's proportionate share of the collective net OPEB liability, as well as what NSHE's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
NSHE's proportionate share of the collective net OPEB liability	$457,844	$489,199	$526,175

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

Payables to the OPEB plan

At June 30, 2018, NSHE reported payables to the defined benefit OPEB plan of $1,174 for statutorily required employer contributions which had been assessed on employee salaries but not yet remitted to the Retirees' Fund.

NOTE 19 – 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 that, except as provided below, there is a low probability that any liability in those legal actions, in excess of insurance coverage, will materially affect the System's net financial position, changes in net position or cash flows of the System. The System and the State of Nevada are defendants in various lawsuits, collectively referred to as the Little Valley Fire Cases. The cases relate to a prescribed burn conducted by the Nevada Division of Forestry in October 2017 on land partially owned by NSHE/UNR. Embers from the fire escaped and burned 23 structures. A jury returned a verdict in August 2018 finding liability on behalf of the Nevada Division of Forestry, but no liability on behalf of NSHE/UNR. However, oral arguments occurred in November 2018 before the Nevada Supreme Court and the case is not yet final.

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, 2018 but no significant reduction in force or staffing cuts are anticipated.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

NOTE 19 – System Commitments and Contingent Liabilities (continued):

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, 2018 is $154,551. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

NOTE 20 – Risk Management:

The System is an entity created by the Constitution of the State of Nevada. The System transfers its tort liabilities 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.

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 21 – Subsequent Events:

The System evaluated subsequent events through November 13, 2018, the date of issuance, and has determined there were no subsequent events to report.

NOTE 22– 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, 2018.

	2018
Instruction	$ 647,450
Research	133,307
Public service	66,565
Academic support	180,897
Institutional support	178,244
Student services	160,806
Operation and maintenance of plant	129,875
Scholarships and fellowships	98,164
Auxiliary enterprises	95,245
Depreciation	106,757
Total	$1,797,310

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 23 – 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, ICS, and UNLV Medicine. 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
COMBINED STATEMENTS OF NET POSITION (in $1,000's)
AS OF JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2018

	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	DRI Foundation	DRI Research Park	TMCC Foundation	WNC Foundation	GBC Foundation	CSN Foundation	NSC Foundation
ASSETS										
Current Assets										
Cash and cash equivalents	$ 64,208	$ 91	$ 4,944	$ 1,079	$ 1	$ 3,670	$ 106	$ 1,191	$ 374	$ 1,385
Short-term investments	211,851	7,827	1,390	-	-	285	58	322	3,325	1,400
Other current assets	18,468	461	3,159	-	-	301	10	127	89	718
Total Current Assets	294,527	8,379	9,493	1,079	1	4,256	174	1,640	3,788	3,503
Noncurrent Assets										
Investments	-	-	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	3,294	7,755	-	1,226
Endowment investments	17,806	-	-	-	-	474	-	-	2,650	-
Capital assets, net	11	48	160	486	-	-	-	-	-	-
Other noncurrent assets	22,624	186	-	-	-	103	-	383	28	2,744
Total Noncurrent Assets	40,441	234	160	486	-	577	3,294	8,138	2,678	3,970
TOTAL ASSETS	334,968	8,613	9,653	1,565	1	4,833	3,468	9,778	6,466	7,473
DEFERRED OUTFLOWS OF RESOURCES										
Intra-entity sales of future revenues	-	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Current Liabilities										
Due to affiliates	15,138	322	1,726	619	-	-	-	18	-	-
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-
Other current liabilities	1,349	5	1,926	11	3	3,918	3,352	1	2	-
Total Current Liabilities	16,487	327	3,652	630	3	3,918	3,352	19	2	-
Noncurrent Liabilities										
Long-term debt	-	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	775	-	3,500	-	105	-	-	-	-	-
Total Noncurrent Liabilities	775	-	3,500	-	105	-	-	-	-	-
TOTAL LIABILITIES	17,262	327	7,152	630	108	3,918	3,352	19	2	-
DEFERRED INFLOWS OF RESOURCES										
Split-interest agreements	1,322	-	-	-	-	-	-	-	-	-
Deferred lease revenue	-	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,322	-	-	-	-	-	-	-	-	-
NET POSITION										
Net investment in capital assets	11	48	160	486	-	-	-	-	-	-
Restricted - Nonexpendable	157,573	2,609	-	-	-	479	-	4,509	2,679	1,252
Restricted - Expendable	143,361	4,760	-	-	-	-	58	4,120	2,557	6,043
Unrestricted	15,439	869	2,341	449	(107)	436	58	1,130	1,228	178
TOTAL NET POSITION	$ 316,384	$ 8,286	$ 2,501	$ 935	$ (107)	$ 915	$ 116	$ 9,759	$ 6,464	$ 7,473

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF NET POSITION (in $1,000's)
AS OF JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2018 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Unlimited	UNLVMED	Total System Related Organizations
ASSETS									
Current Assets									
Cash and cash equivalents	$ 15,387	$ 179	$ 2	$ 320	$ 115	$ 170	$ 5,943	$ 2,582	$ 101,747
Short-term investments	47,703	2,089	5,882	2,134	1,270	333	-	-	285,869
Other current assets	20,695	185	-	97	-	-	3	14,981	59,294
Total Current Assets	83,785	2,453	5,884	2,551	1,385	503	5,946	17,563	446,910
Noncurrent Assets									
Investments	64,902	-	-	-	-	-	-	-	64,902
Restricted investments	-	-	-	-	-	-	-	-	12,275
Endowment investments	173,920	-	-	-	121	765	-	-	195,736
Capital assets, net	311	4,125	-	54	4	-	-	4,783	9,982
Other noncurrent assets	43,572	2,638	-	66	-	-	-	-	72,344
Total Noncurrent Assets	282,705	6,763	-	120	125	765	-	4,783	355,239
TOTAL ASSETS	366,490	9,216	5,884	2,671	1,510	1,268	5,946	22,346	802,149
DEFERRED OUTFLOWS OF RESOURCES									
Intra-entity sales of future revenues	-	-	-	-	-	-	-	363	363
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	363	363
LIABILITIES									
Current Liabilities									
Due to affiliates	-	-	-	-	-	-	5	2,669	20,497
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Other current liabilities	902	325	-	9	2	-	5	4,250	16,060
Total Current Liabilities	902	325	-	9	2	-	10	6,919	36,557
Noncurrent Liabilities									
Long-term debt	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	1,012	-	-	-	-	-	-	15,304	20,696
Total Noncurrent Liabilities	1,012	-	-	-	-	-	-	15,304	20,696
TOTAL LIABILITIES	1,914	325	-	9	2	-	10	22,223	57,253
DEFERRED INFLOWS OF RESOURCES									
Split-interest agreements	3,997	-	-	-	-	-	-	-	5,319
Deferred lease revenue	-	6,722	-	-	-	-	-	-	6,722
TOTAL DEFERRED INFLOWS OF RESOURCES	3,997	6,722	-	-	-	-	-	-	12,041
NET POSITION									
Net investment in capital assets	157	3,963	-	54	4	-	-	3,200	8,083
Restricted - Nonexpendable	144,572	-	-	-	47	727	-	-	314,447
Restricted - Expendable	211,490	-	-	14	74	38	-	380	372,895
Unrestricted	4,360	(1,794)	5,884	2,594	1,383	503	5,936	(3,094)	37,793
TOTAL NET POSITION	$ 360,579	$ 2,169	$ 5,884	$ 2,662	$ 1,508	$ 1,268	$ 5,936	$ 486	733,218

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
AS OF JUNE 30, 2018

NOTE 23 - 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, 2018

	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	DRI Foundation	DRI Research Park	TMCC Foundation	WNC Foundation	GBC Foundation	CSN Foundation	NSC Foundation
Operating Revenues										
Patient revenue	$ -	$ -	8,005	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contract revenue	-	-	5,598	-	-	-	-	-	-	-
Contributions	25,137	127	-	1,037	-	631	1,911	934	888	1,462
Campus support	7,224	-	-	118	27	176	-	18	-	-
Other operating revenues	1,408	-	1,208	356	3	491	95	10	314	120
Total Operating Revenues	33,769	127	14,811	1,511	30	1,298	2,006	962	1,202	1,582
Operating Expenses										
Program expenses, System Related Organizations	(334)	(791)	(6,398)	-	-	(995)	(1,503)	(40)	(704)	(2,912)
Depreciation	(25)	(2)	(17)	-	-	-	-	-	-	-
Other operating expenses	(5,228)	(28)	(3,991)	(406)	(27)	(279)	(481)	(120)	-	(556)
Total Operating Expenses	(5,587)	(821)	(10,406)	(406)	(27)	(1,274)	(1,984)	(160)	(704)	(3,468)
Operating Income (Loss)	28,182	(694)	4,405	1,105	3	24	22	802	498	(1,886)
Nonoperating Revenues (Expenses)										
Intergovernmental revenue	-	-	1,840	-	-	-	-	-	-	-
Payments to System campuses and divisions	(32,714)	-	(2,323)	(1,190)	-	-	-	(821)	(691)	-
Other nonoperating revenues (expenses)	16,819	618	750	-	-	(27)	19	591	324	-
Total Nonoperating Revenues (Expenses)	(15,895)	618	267	(1,190)	-	(27)	19	(230)	(367)	-
Income (Loss) before other revenue (expenses)	12,287	(76)	4,672	(85)	3	(3)	41	572	131	(1,886)
Other Revenues (Expenses)										
Additions to permanent endowments	11,772	171	(2,500)	-	-	-	-	127	31	84
Other Foundation expenses	-	-	-	300	-	-	-	-	-	-
Total Other Revenues (Expenses)	11,772	171	(2,500)	300	-	-	-	127	31	84
Increase (Decrease) in Net Position	24,059	95	2,172	215	3	(3)	41	699	162	(1,802)
NET POSITION										
Net position - beginning of year	292,325	8,191	329	720	(110)	918	4,602	9,060	6,302	9,275
Change in Accounting Policy	-	-	-	-	-	-	(4,527)	-	-	-
Net position - end of year	$ 316,384	$ 8,286	$ 2,501	$ 935	$ (107)	$ 915	$ 116	$ 9,759	$ 6,464	$ 7,473

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) (CONTINUED)
AS OF JUNE 30, 2018

NOTE 23 - 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, 2018

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Unlimited	UNLVMED	Total System Related Organizations
Operating Revenues									
Patient revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 40,675	$ 48,680
Contract revenue	-	-	-	-	-	-	-	15,227	20,825
Contributions	48,032	144	423	1,180	131	926	-	-	82,963
Campus support	3,246	-	-	-	-	-	-	-	10,809
Other operating revenues	899	267	249	364	111	-	36	11,473	17,404
Total Operating Revenues	52,177	411	672	1,544	242	926	36	67,375	180,681
Operating Expenses									
Program expenses, System Related Organizations	(1,472)	-	(267)	(1,019)	(123)	(121)	-	(18,274)	(34,953)
Depreciation	(64)	(126)	-	(28)	(3)	-	-	(673)	(938)
Other operating expenses	(20,323)	(630)	(210)	(691)	(14)	-	(87)	(23,145)	(56,216)
Total Operating Expenses	(21,859)	(756)	(477)	(1,738)	(140)	(121)	(87)	(42,092)	(92,107)
Operating Income (Loss)	30,318	(345)	195	(194)	102	805	(51)	25,283	88,574
Nonoperating Revenues (Expenses)									
Intergovernmental revenue	-	-	-	-	-	-	-	-	1,840
Payments to System campuses and divisions	(59,315)	-	(413)	-	(1,806)	-	-	(24,620)	(123,893)
Other nonoperating revenues (expenses)	17,989	30	401	267	157	(45)	-	(177)	37,716
Total Nonoperating Revenues (Expenses)	(41,326)	30	(12)	267	(1,649)	(45)	-	(24,797)	(84,337)
Income (Loss) before other revenue (expenses)	(11,008)	(315)	183	73	(1,547)	760	(51)	486	4,237
Other Revenues (Expenses)									
Additions to permanent endowments	4,619	-	-	-	-	-	-	-	14,304
Other Foundation expenses	-	-	-	-	-	-	60	-	360
Total Other Revenues (Expenses)	4,619	-	-	-	-	-	60	-	14,664
Increase (Decrease) in Net Position	(6,389)	(315)	183	73	(1,547)	760	9	486	18,901
NET POSITION									
Net position - beginning of year	366,968	2,484	5,701	2,589	3,055	508	5,927	-	718,844
Change in Accounting Policy	-	-	-	-	-	-	-	-	(4,527)
Net position - end of year	$ 360,579	$ 2,169	$ 5,884	$ 2,662	$ 1,508	$ 1,268	$ 5,936	$ 486	$ 733,218

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

UNR Foundation:

Cash and cash equivalents at June 30, 2018, consists of:

Cash	$ 2,419
Treasury bill	10,726
Money market funds	51,063
	$64,208

The fair value of investments at June 30, 2018, are as follows:

Equity Investments	$ 845
Commingled funds	210,455
Certificates of deposit	7,969
Corporate bonds	8,122
U.S. Government Securities	2,266
	$229,657

At June 30, 2018, the Foundation investments had the following maturities:

		Investment Maturities (in Year)		
	Fair Value	Less than 1	1 – 5	6 – 10
Equity investments	$ 845	$ 845	$ -	$ -
Commingled funds	210,455	210,455	-	-
Certificates of deposit	7,969	545	7,424	-
Corporate bonds	8,122	-	8,121	-
U.S. Government securities	2,266	6	1,960	300
	$229,657	$211,851	$17,505	$ 300

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.

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

NOTE 23 - System Related Organizations (continued):

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.

Investment Program Strategy

As a result of the above process, the Board has adopted the following assets allocation targets and ranges, exclusive of amounts transferred to the Endowment's operating accounts:

Asset Allocation Targets and Ranges

	Min Wt.	*Target Wt.*	*Max Wt.*
Global Equities	*17%*	*20%*	*23%*
Global Low Volatility Equity	*7%*	*9%*	*11%*
Private Markets	*5%*	*12%*	*15%*
Fixed Income	*27%*	*32%*	*37%*
Core US Fixed Income	*12%*	*15%*	*18%*
High Yield Fixed Income	*5%*	*7%*	*9%*
Alternative Debt	*5%*	*10%*	*15%*
Real Estate	*8%*	*12%*	*15%*
Real Assets	*10%*	*15%*	*20%*
Cash	*0%*	*0%*	*5%*

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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

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 insured and 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, 2018, the Foundation's bank balances totaled $64,208. Of this balance, $1,172 was covered by depository insurance and/or collateralized and $49,286 is held by State Street Government Securities and subject to their investment policies. The remaining $13,750 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2018.

Custodial Credit Risk – Investments

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

Redemption Notice

Certain commingled investments classified as current have notice requirements before the investment can be redeemed; these requirements range from 1-30 days. Other commingled investments have set dates upon which they can be redeemed; these investments have been classified as long-term based on these dates.

Commitments

As of June 30, 2018, the Foundation has committed to acquire approximately $19.3 million in commingled funds.

Fair Value Measurements

The Foundation has valued their investments based on the following level of inputs:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes agency mortgage-backed debt securities and derivative contracts.

Level 3 – Unobservable inputs are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation. This category generally includes private equity, real estate and commingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Net asset value ("*NAV")* - The amount of net assets attributable to each unit outstanding at the close of the period.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's) FOR THE YEAR ENDED JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measure at fair value.

- *Commingled funds* – Valued at NAV.
- *Residual interest in irrevocable trust* – Assets held in commingled funds are valued at NAV. Assets held in trust represents the Foundation's beneficial interest in real estate, where fair value is estimated based on appraised value.
- *Equity investments, certificates of deposit and U.S. Government securities* – Valued at the closing price reported on the active market on which the security is traded, if available.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes it valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2018 are:

	Level 1	Level 3	NAV	Total
Investments				
Commingled funds	$66,301	$ -	$144,154	$210,455
Equity Securities	845	-	-	845
Certificates of deposit	7,969	-	-	7,969
Corporate bonds	8,122	-	-	8,122
U.S. Government Securities	2,266	-	-	2,266
	$85,503	$ -	$144,154	$229,657
Residual interest in trusts				
Commingled funds	$ -	$ -	$ 584	$ 584
Real estate	-	-	1,263	1,263
	$ -	$ -	$ 1,847	$ 1,847

The Foundation does not hold any investments using Level 2 or 3 inputs.

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*.

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 $811 for the year ended June 30, 2018, were 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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

Investments include the following at June 30, 2018:

Mutual funds	$ 32,072
Certificates of deposit	2,674
Equities	14,044
Collateralized securities	26,646
U.S. government obligations	44,475
U.S. corporate bonds	28,772
Alternative investments	130,893
Non-U.S. corporate bonds	6,949
Total marketable securities at fair value	$286,525

As of June 30, 2018, the UNLV Foundation is committed to acquire approximately $16 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, 2018, the total balance for the UNLV Foundations cash and money market funds was $15,387. Of this balance, $468 was covered by the Federal Deposit Insurance Corporation, and $14,920 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, 2018 are as follows:

	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	$26,646	$22,530	$3,948	$ 169	$ -	$ -
U.S. corporate bonds	28,772	-	128	5,640	19,513	3,491
Non-U.S. corporate bonds	6,949	-	529	2,836	2,725	858
	$62,367	$22,530	$4,605	$8,645	$22,238	$4,349

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

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, 2018, was 8.20 years. The fixed-income portfolio's average maturity was 7.91 years. Interest rates range from 2.66% to 3.25%.

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

NOTE 23 - System Related Organizations (continued):

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2018, was 8.5 years. The fixed income-portfolio's average maturity was 8.3 years. Interest rates range from 0.00% to 9.80%.

	Maturity Under 1 Year	Maturity 1 – 5 Years	Maturity 5 – 10 Years	Maturity Over 10 Years	Total
Mutual funds	$28,774	$ 3,298	$ -	$ -	$ 32,072
Certificates of deposit	99	2,575	-	-	2,674
Collateralized securities	791	6,814	2,067	16,975	26,646
U.S. government obligations	14,344	17,041	7,332	5,758	44,475
U.S. corporate bonds	3,226	16,931	4,290	4,325	28,772
Non-U.S. corporate bonds	469	3,855	1,425	1,200	6,949
Investment in securities at fair value	$47,703	$50,514	$15,114	$28,258	$141,588

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.

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.

Fair Value Measurements

The Foundation has valued their investments based on the following level of inputs:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes agency mortgage-backed debt securities and assets held in charitable remainder trusts.

Level 3 – Unobservable inputs that are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using price models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation. This category generally includes private equity, real estate and commingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Net asset value ("*NAV")* - The amount of net assets attributable to each share of capital stock (other than senior equity securities; that is, preferred stock) outstanding at the close of the period.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of observable inputs.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in $1,000's)
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 23 - System Related Organizations (continued):

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Alternative investments* – Valued at NAV.
- *Real estate* – Assets held in commingled funds are valued at NAV. Assets held in trust represents the Foundation's beneficial interest in real estate, where fair value is estimated based on appraised value.
- *Mutual funds, U.S. corporate bonds, non-U.S. corporate bonds, equities, certificates of deposit and U.S. Government securities* – Valued at the closing price reported on the active market on which the security is traded, if available.
- *Assets held in charitable remainder trusts* – Assets held in trust represents the Foundation's beneficial interest in equities held in the trusts, fair value of the equities is based on closing prices reported on the active market on which the security is traced. The Foundation's interest in those assets is estimated based on models using various estimates from management, including date assets will be received.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2018 are:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Alternative investment	$ -	$ -	$ -	$130,893	$130,893
Mutual funds	32,072	-	-	-	32,072
Collateralized securities	-	26,646	-	-	26,646
U.S. corporate bonds	28,772	-	-	-	28,772
Non-U.S. corporate bonds	6,949	-	-	-	6,949
Equities	14,044	-	-	-	14,044
Certificate of deposit	2,674	-	-	-	2,674
U.S. Government obligations	44,475	-	-	-	44,475
	$128,986	$26,646	$ -	$130,893	$286,525
Investment in real estate	$ -	$ -	$9,000	$ -	$ 9,000
Assets held in charitable remainder trusts					
Equities	$ -	$ -	$4,906	$ -	$ 4,906

Assets measured at fair value on a recurring basis at June 30, 2018 are:

	Level 1	Level 2	Level 3	NAV	Total
Investments					
Alternative investment	$ -	$ -	$ -	$125,747	$125,747
Mutual funds	30,793	-	-	-	30,793
Collateralized securities	-	20,672	-	-	20,672
U.S. corporate bonds	30,341	-	-	-	30,341
Non-U.S. corporate bonds	7,494	-	-	-	7,494
Equities	12,890	-	-	-	12,890
Certificate of deposit	2,477	-	-	-	2,477
U.S. Government obligations	40,211	-	-	-	40,211
	$124,206	$20,672	$ -	$125,747	$270,625
Investment in real estate	$ -	$ -	$7,600	$ -	$7,600
Assets held in charitable Remainder trusts					
Equities	$ -	$ -	$6,132	$ -	$ 6,132

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

	2018	2017	2016	2015	2014	2013	2012	2010	2009
System's proportion of the net pension liability	2.88%	2.89%	2.83%	2.81%	(Historical information prior to the implementation of GASB 67/68 is not required)				
System's proportionate share of the net pension liability	$383,226	$389,352	$324,708	$292,841					
System's covered-employee payroll	$ 179,694	$ 171,007	$ 165,653	$162,250					
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	213.27%	227.68%	196.02%	180.49%					
PERS fiduciary net position as a percentage of the total pension liability	290.88%	260.10%	302.03%	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 FOR THE NET PENSION LIABILITY (in $1,000's)
Public Employees' Retirement System of Nevada
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2010	2009
Contractually required contribution	$ 27,030	$ 34,456	$ 33,124	$ 29,901	(Historical information prior to the implementation of GASB 67/68 is not required)				
Contributions in relation to the contractually required contribution	(27,030)	(43,152)	(35,756)	(29,901)					
Contribution deficiency (excess)	$ -	$ (8,696)	$ (2,632)	$ -					
System's covered-employee payroll	$ 187,737	$ 179,694	$ 171,007	$165,653					
Contributions as a percentage of covered-employee payroll	14.40%	19.17%	19.37%	18.05%					

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

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (in $1,000's)
State of Nevada Retirees' Health Welfare Benefits Plan
Last 10 Years

	2018	2017	2016	2015	2014	2013	2012	2010	2009
System's proportion of the net OPEB liability	37.59%	(Historical information prior to the implementation of GASB 74/75 is not required)							
System's proportionate share of the net OPEB liability	489,754								
System's covered-employee payroll	625,454								
System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	78.30%								
State of Nevada's Retiree's Health and Welfare Plan fiduciary net position as a percentageof the total OPEB liability	0.00%								

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF SYSTEM CONTRIBUTIONS FOR THE NET OPEB LIABILITY (in $1,000's)
State of Nevada Retirees' Health Welfare Benefits Plan
Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2010	2009
		(Historical information prior to the implementation of GASB 74/75 is not required)							
Contractually required contribution	$ 15,689								
Contributions in relation to the contractually required contribution	(15,702)								
Contribution deficiency (excess)	$ (13)								
System's covered-employee payroll	$ 667,622								
Contributions as a percentage of covered-employee payroll	2.35%								

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE REQUIRED SCHEDULES FOR THE NET OPEB LIABILITY(in $1,000's)
State of Nevada Retirees' Health Welfare Benefits Plan
For the Fiscal Year Ending June 30, 2018

Valuation Date	January 1, 2018
Methods and Assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal - Level % of Salary
Asset Valuation Method	Market Value of Assets
Retirement Age**	63
Mortality	Regular: RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females Police/Fire: RP-2000 Combined Healthy Mortality projected to 2014 with set forward one year

**Weighted average retirement age based on January 1, 2018 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report

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SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF NET POSITION (in $1,000's)
AS OF JUNE 30, 2018

	UNR	System Admin	DRI	TMCC
ASSETS				
Current Assets				
Cash and cash equivalents	$ 18,058	$ 90,683	$ 5,293	$ 4,589
Restricted cash and cash equivalents	-	-	134	13,302
Short-term investments	109,931	27,987	23,895	24,841
Accounts receivable, net	14,188	69	2,844	1,852
Receivable from U.S. Government	29,974	478	3,977	1,886
Receivable from State of Nevada	5,964	2,060	634	583
Pledges receivable, net	1,741	-	-	-
Current portion of loans receivable, net	1,250	-	-	-
Due from related institutions	420	-	428	-
Due from System Related Organizations	17,284	-	619	496
Inventories	4,942	-	-	17
Deposits and prepaid expenditures, current	1,271	549	-	19
Other current assets	-	-	-	46
Total Current Assets	205,023	121,826	37,824	47,631
Noncurrent Assets				
Cash held by State Treasurer	5,732	347	-	681
Restricted cash and cash equivalents	28,141	-	-	-
Due from related institutions	-	-	-	-
Due from System Related Organizations	3,349	-	-	-
Receivable from State of Nevada	43,410	109	-	313
Endowment investments	135,981	9,563	31,907	11,005
Deposits and prepaid expenditures	-	-	-	-
Loans receivable, net	5,117	-	-	-
Capital assets, net	876,472	16,891	59,246	65,158
Other noncurrent assets	-	76	-	-
Total Noncurrent Assets	1,098,202	26,986	91,153	77,157
TOTAL ASSETS	1,303,225	148,812	128,977	124,788
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	21,976	1,834	1,933	3,069
OPEB related	5,207	323	401	652
Loss on bond refunding	9,563	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	36,746	2,157	2,334	3,721
LIABILITIES				
Current Liabilities				
Accounts payable	20,430	1,122	689	1,011
Accrued payroll and related liabilities	24,922	10,587	2,274	2,987
Unemployment insurance and workers' compensation	2,491	73	174	381
Due from related institutions	3,399	(15,767)	834	422
Due to State of Nevada	191	-	321	-
Due to Sytem Related Organizations	292	-	-	-
Current portion of compensated absences	10,660	1,194	3,449	1,579
Current portion of long-term debt	19,791	-	875	160
Current portion of obligations under capital leases	95	-	193	-
Accrued interest payable	7,275	-	39	212
Unearned revenue	22,653	-	2,526	1,305
Funds held in trust for others	937	-	814	72
Other current liabilities	407	-	-	-
Total Current Liabilities	113,543	(2,791)	12,188	8,129
Noncurrent Liabilities				
Refundable advances under federal loan programs	4,702	-	-	-
Compensated absences	6,336	685	688	300
Long-term debt	371,533	-	3,522	17,159
Obligations under capital leases	914	-	266	-
Due to other Institutions - LT	-	3,094	-	-
Unearned revenue	-	-	-	-
Net pension liability	138,938	10,710	12,286	18,675
Net OPEB Liability	162,231	10,074	12,494	20,329
Other noncurrent liabilities	-	152	-	-
Total Noncurrent Liabilities	684,654	24,715	29,256	56,463
TOTAL LIABILITIES	798,197	21,924	41,444	64,592
DEFERRED INFLOWS OF RESOURCES				
Pension related	11,956	922	1,057	1,607
OPEB Related	10,097	627	778	1,265
Gain on bond refunding	255	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	22,308	1,549	1,835	2,872
NET POSITION				
Net investment in capital assets	519,497	13,797	54,525	47,839
Restricted - Nonexpendable	39,137	7,136	20,977	5,133
Restricted - Expendable - Scholarships, research and instruction	90,935	3,934	16,448	6,523
Restricted - Expendable - Loans	5,889	28	-	53
Restricted - Expendable - Capital projects	75,873	462	765	18,588
Restricted - Expendable - Debt service	19,058	-	-	40
Unrestricted	(230,923)	102,139	(4,683)	(17,131)
TOTAL NET POSITION	$ 519,466	$ 127,496	$ 88,032	$ 61,045

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF NET POSITION (in $1,000's) (CONTINUED)
AS OF JUNE 30, 2018

WNC	GBC	UNLV	CSN	NSC	Eliminations	TOTAL
$ 1,642	$ 2,213	$ 42,627	$ 9,083	$ 3,956	$ -	$ 178,144
-	-	-	-	-	-	13,436
5,600	5,960	319,476	55,567	12,046	-	585,303
914	1,315	10,277	5,817	789	-	38,065
25	609	36,719	3,549	429	-	77,646
279	318	11,122	2,203	452	580	24,195
-	-	-	-	-	-	1,741
2	-	319	-	-	-	1,571
26	80	97	-	107	(1,158)	-
-	-	967	-	-	-	19,366
-	-	2,070	394	-	-	7,423
8	87	7,626	1,524	-	-	11,084
-	-	-	-	-	-	46
8,496	10,582	431,300	78,137	17,779	(578)	958,020
-	237	46,758	528	-	-	54,283
-	-	35,485	75,946	-	-	139,572
-	-	3,094	-	-	(3,094)	-
-	-	15,978	-	-	-	19,327
-	136	6,554	3,506	-	-	54,028
266	680	55,356	6,405	-	-	251,163
-	-	419	149	-	-	568
-	-	2,251	-	-	-	7,368
28,127	36,430	930,715	184,269	68,375	-	2,265,683
-	-	-	-	-	-	76
28,393	37,483	1,096,610	270,803	68,375	(3,094)	2,792,068
36,889	48,065	1,527,910	348,940	86,154	(3,672)	3,750,088
1,570	1,364	22,674	9,271	1,024	-	64,715
255	260	6,538	1,749	316	-	15,701
-	-	4,740	-	-	-	14,303
1,825	1,624	33,952	11,020	1,340	-	94,719
152	347	19,799	4,725	720	-	48,995
1,144	1,147	34,988	8,337	1,658	-	88,044
129	246	2,988	764	116	-	7,362
169	163	5,203	5,816	339	(578)	-
-	-	-	-	-	-	512
-	-	2,882	-	-	-	3,174
718	436	13,416	3,016	600	-	35,068
-	158	20,078	3,367	-	-	44,429
-	-	-	-	1,045	-	1,333
-	1	5,176	1,645	-	-	14,348
-	1,149	25,267	4,004	1,296	-	58,200
153	59	2,756	196	19	-	5,006
-	-	-	-	-	-	407
2,465	3,706	132,553	31,870	5,793	(578)	306,878
-	-	2,534	-	-	-	7,236
15	211	5,343	1,354	553	-	15,485
-	406	263,955	77,121	-	-	733,696
-	-	-	-	47,455	-	48,635
-	-	-	-	-	(3,094)	-
-	-	627	-	-	-	627
9,507	8,292	127,072	51,906	5,840	-	383,226
7,963	8,087	203,680	54,485	9,856	-	489,199
-	-	-	-	623	-	775
17,485	16,996	603,211	184,866	64,327	(3,094)	1,678,879
19,950	20,702	735,764	216,736	70,120	(3,672)	1,985,757
818	714	8,339	3,406	383	-	29,202
496	503	12,677	3,391	614	-	30,448
-	-	-	-	-	-	255
1,314	1,217	21,016	6,797	997	-	59,905
28,284	35,706	681,446	184,269	16,356	-	1,581,719
254	680	12,057	2,456	-	-	87,830
(250)	343	52,845	7,891	665	-	179,334
187	300	641	-	(107)	-	6,991
69	1,664	70,726	7,089	-	-	175,236
-	152	11,515	-	4,552	-	35,317
(11,094)	(11,075)	(24,148)	(65,278)	(5,089)	-	(267,282)
$ 17,450	$ 27,770	$ 805,082	$ 136,427	$ 16,377	$ -	$ 1,799,145

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

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, 2018

	UNR	System Admin	DRI	TMCC
Operating Revenues				
Student tuition and fees (net of scholarship allowance of $172,752)	$ 137,489	$ -	$ -	$ 17,462
Federal grants and contracts	99,201	1,784	24,234	5,004
State grants and contracts	20,330	185	2,408	1,512
Local grants and contracts	1,497	-	415	-
Other grants and contracts	17,525	36	4,661	5
Sales and services of educational departments (including $31,416 from System Related Organizations)	43,639	2,400	422	611
Sales and services of auxiliary enterprises (net of scholarship allowance of $6,959)	43,211	-	-	1,402
Interest earned on loans receivable	227	-	-	-
Other operating revenues	2,962	8,071	1,360	217
Total Operating Revenues	366,081	12,476	33,500	26,213
Operating Expenses				
Employee compensation and benefits	(387,340)	(18,617)	(33,576)	(49,234)
Utilities	(10,872)	(1,176)	(862)	(917)
Supplies and services	(151,277)	(18,121)	(9,103)	(11,897)
Scholarships and fellowships	(19,115)	(376)	-	(7,839)
Depreciation	(35,801)	(3,723)	(4,539)	(3,856)
Other operating expenses	-	-	-	-
Total Operating Expenses	(604,405)	(42,013)	(48,080)	(73,743)
Operating Income (Loss)	(238,324)	(29,537)	(14,580)	(47,530)
Nonoperating Revenues (Expenses)				
State appropriations	183,727	23,538	7,393	34,828
Transfers to/from System Administration	(66)	1,226	(122)	942
Gifts (including $48,000 from System Related Organizations)	23,474	-	839	723
Investment income (loss), net	19,002	1,108	3,859	2,451
Gain (loss) on disposal of capital assets	(491)	(1)	(12)	8
Interest expense	(12,211)	(95)	(332)	(265)
Other nonoperating revenues	(97)	(213)	-	(465)
Federal grants and contracts	22,505	26	-	8,289
Total Nonoperating Revenues	235,843	25,589	11,625	46,511
Income (Loss) Before Other Revenue (Expenses)	(2,481)	(3,948)	(2,955)	(1,019)
Other Revenues (Expenses)				
State appropriations restricted for capital purposes	46,749	156	424	860
Capital grants and gifts (including $42,647 from System Related Organizations)	6,696	-	-	497
Additions/(Deductions) to permanent endowments (including ($2,143) to System Related Organizations)	48	(2,301)	-	66
Total Other Revenues	53,493	(2,145)	424	1,423
Increase (Decrease) in Net Position	51,012	(6,093)	(2,531)	404
NET POSITION				
Net position - beginning of year	631,338	143,704	103,109	81,053
Cumulative effect of change in Accounting Principle GASB 75	(162,884)	(10,115)	(12,546)	(20,412)
Net position - end of year	$ 519,466	$ 127,496	$ 88,032	$ 61,045

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in $1,000's) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

WNC	GBC	UNLV	CSN	NSC	Eliminations	TOTAL
$ 5,211	$ 5,616	$ 200,872	$ 52,573	$ 12,096	$ -	$ 431,319
3,157	1,536	51,449	5,774	2,205	(7,973)	186,371
1,589	587	20,867	3,495	988	(1,049)	50,912
-	-	349	-	-	-	2,261
7	958	3,323	-	2	-	26,517
276	388	88,328	1,859	87	-	138,010
960	352	49,543	1,630	101	-	97,199
-	-	57	-	-	-	284
131	41	7,122	900	86	-	20,890
11,331	9,478	421,910	66,231	15,565	(9,022)	953,763
(20,579)	(18,735)	(490,073)	(122,979)	(24,114)	-	(1,165,247)
(562)	(690)	(13,093)	(3,143)	(510)	-	(31,825)
(7,739)	(3,791)	(150,710)	(39,879)	(7,748)	9,022	(391,243)
(3,046)	(2,675)	(36,212)	(28,965)	(3,992)	-	(102,220)
(2,612)	(1,811)	(39,836)	(12,101)	(2,478)	-	(106,757)
-	-	-	-	(18)	-	(18)
(34,538)	(27,702)	(729,924)	(207,067)	(38,860)	9,022	(1,797,310)
(23,207)	(18,224)	(308,014)	(140,836)	(23,294)	-	(843,547)
13,521	14,040	224,259	98,654	17,220	-	617,180
748	667	(8,082)	3,598	1,089	-	-
1,638	608	23,828	670	3,034	-	54,814
615	515	26,940	3,239	664	-	58,393
(26)	-	381	-	-	-	(141)
-	(7)	(8,610)	(111)	(2,354)	-	(23,985)
(520)	1	346	(664)	203	-	(1,409)
3,740	2,519	42,115	38,463	6,397	-	124,054
19,716	18,343	301,177	143,849	26,253	-	828,906
(3,491)	119	(6,837)	3,013	2,958	-	(14,641)
495	515	32,946	5,636	1,000	-	88,781
-	-	37,076	75	140	-	44,484
-	-	-	8	-	-	(2,179)
495	515	70,022	5,719	1,140	-	131,086
(2,996)	634	63,185	8,732	4,098	-	116,445
28,442	35,255	946,402	182,400	22,175	-	2,173,878
(7,996)	(8,119)	(204,505)	(54,705)	(9,896)	-	(491,178)
$ 17,450	$ 27,770	$ 805,082	$ 136,427	$ 16,377	$ -	$ 1,799,145

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Board of Regents
Nevada System of Higher Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 13, 2018.

Our report includes a reference to other auditors who audited the financial statements of: Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Truckee Meadows Community College Foundation; Western Nevada College Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; College of Southern Nevada Foundation; and Nevada State College Foundation, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of: Truckee Meadows Community College Foundation; Western Nevada College Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Golf Foundation; University of Nevada, Las Vegas, Alumni Association; College of Southern Nevada Foundation; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies in the System's internal control.

Compliance and other matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

System's response to findings

The System's response to our findings, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the System's response.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Reno, Nevada
November 13, 2018

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Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

FINDING 2018-001 Workday and the New Year-End Close Process

Criteria
Internal control environments which are operating optimally, provide for a timely and complete year-end close.

Condition:
The Nevada System of Higher Education ("System") presents a combined financial statement of the eight institutions and System Administration, which make up the reporting organization. The financial statements also include the 18 system- related organizations as aggregate discretely presented component units. System Administration combines the financial information of each institution and the system-related organizations to prepare this financial statement. In fiscal 2018, the institutions and System Administration did not meet planned timelines for the year-end close or the preparation of that financial statement. Closing journal entries continued to take place through the end of October when in prior years, the typical close date was mid-September. This, in turn, delayed completion of the financial statement and, ultimately, the year-end audit process by approximately two weeks. Further, initial drafts of the combined financial statement contained errors and omissions. While delays due to the ERP implementation issues and the first year close in the ERP system were to be expected, the timing of key close processes and reviews exacerbated the delays and the initial errors and omissions. These errors and omissions were ultimately resolved and no material financial statement misstatements occurred in the final version.

Context
In order the facilitate the needs of the Board of Regents as well as the State of Nevada who combine this financial statement into their own, the System's financial reporting package had historically been completed, audited and published by the end of October. Fiscal 2018 represented the System's first year-end close in Workday, the System's new financial management system. The entire process from close, to financial statement preparation and audit was delayed as the System navigated through this new process.

Cause
The System has completed its first year- end close under Workday and was met with unanticipated delays in the current year due partly to learning the new process as well as not having a protocol for finalizing closing journal entries and other timing considerations. This led to closing entries being posted significantly after year-end which required changes to the in-process combined financial statement several times. This, in turn, delayed the combined financial statement being submitted for audit.

Effect
The delay in the close at each institution led to transactions being recorded significantly after year-end, which caused the financial statement preparation to be delayed. Ultimately, the final published financial statement was issued two weeks later than usual.

Recommendation
The System should ensure that a new process and schedule is put in place to facilitate a timely close in the new Workday environment.

Views of Responsible Officials (unaudited)
Management concurs.

Nevada System of Higher Education

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2018

FINDING 2018-002 Accuracy of the Schedule of Expenditures of Federal Awards

Criteria
2 CFR 200.510 (b) states that "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with 2 CFR 200.502."

Condition:
The System presents a Schedule of Expenditures of Federal Awards ("SEFA") as a supplemental schedule in its annual financial reporting package. The SEFA is a subset of the System's annual expenditures representing the fiscal year 2018 expenditure of federal grants and contracts of approximately $575 million. In addition to being a part of the financial reporting package, the SEFA serves as the primary basis for the auditor's selection of major programs to test in the annual Uniform Guidance audit. Therefore, appropriate major program determination by the auditor is dependent on the completeness and accuracy of the information in the SEFA. When submitted for audit, the SEFA was inaccurate as it was duplicated certain expenditures at two institutions when a grant which was originally received by one institution was transferred to another NSHE institution, and thereby, recorded twice. Further, the classification grants in the Research and Development Cluster was incorrect, which caused the cluster to be overstated by approximately $20 million. Further, the SEFA did not agree to the federal award expenditure data submitted by each of the System's eight institutions including System Administration.

Context
The System's SEFA was not accurately prepared and needed a number of corrections before it was fairly stated.

Cause
The SEFA is prepared at the System level using data provided by each institution without a detailed supervisory review performed by each institution to verify the accuracy of the information being reported. Information prepared at the institution level was also not properly compiled at the System level to ensure proper classification on the SEFA of federal award amounts.

Effect
The initial SEFA prepared by the System was inaccurate.

Recommendation
The System should ensure that a process is in place for the proper preparation and supervisory review of the SEFA in order to verify the accuracy of the data reported.

Views of Responsible Officials (unaudited)
Management concurs.