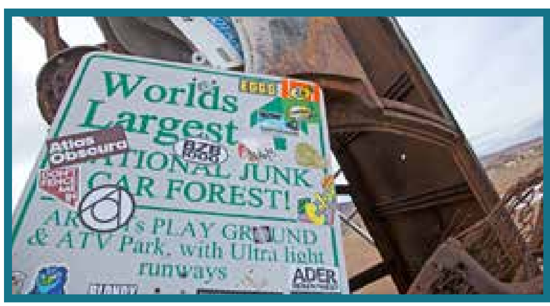
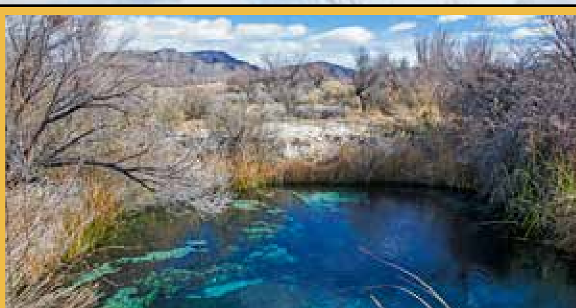
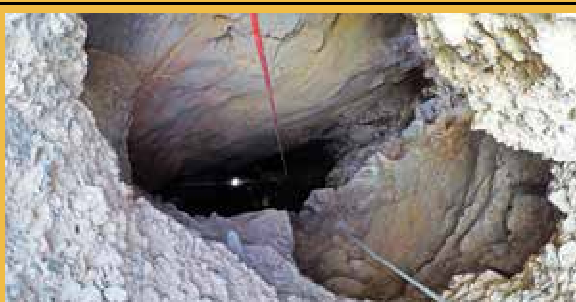
Financial Section





Financial Section





Ash Meadows

Located in the middle of nowhere, according to our visitors, is a place like no other in the world. Literally. In an area smaller than Disney World exist at least 26 species of plants and animals found nowhere else on earth—the greatest concentration of endemic life in the United States. The amazing colors of the desert spring pools are reason enough to visit. Just 90 minutes northwest of Las Vegas, Ash Meadows National Wildlife Refuge is one of Nevada's best-kept secrets.

Photos by Kaitlin Godbey and Sydney Martinez
TravelNevada

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Honorable Ronald Knecht, MS, JD & PE
State Controller
Carson City, Nevada

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Nevada's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following:

- the financial statements of the Housing Division, which is a major fund, represent 27.93 percent of the assets and deferred outflows of resources, 11.99 percent of net position, and 3.53 percent of the revenues of the business-type activities;

- the financial statements of the Nevada System of Higher Education, which is a discretely presented component unit, represent 96.86 percent of assets and deferred outflows of resources, 99.75 percent of net position, and 97.56 percent of revenues of the discretely presented component units;

- the financial statements of the Self Insurance and Insurance Premiums Internal Service Funds which, in the aggregate, represent less than one percent of the assets and deferred outflows of resources and the net position, and 1.75 percent of the revenues of the aggregate remaining fund information;

- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, which in the aggregate represent 62.02 percent of the assets and deferred outflows of resources, 63.24 percent of the net position, and 27.78 percent of the revenues of the aggregate remaining fund information;

- the financial statements of the Nevada College Savings Plan – Private Purpose Trust Fund, which represent 32.43 percent of the assets and deferred outflows of resources, 33.53 percent of the net position and 56.69 percent of the revenues of the aggregate remaining fund information;

- the financial statements of the Retirement Benefits Investment Fund – Investment Trust Fund, which represent less than one percent of the assets and deferred outflows of resources, net position and revenues of the aggregate remaining fund information; and

- the financial statements of the Division of Museums and History Dedicated Trust Fund, which represent less than one percent of the assets and deferred outflows of resources, fund balance and revenues of the aggregate remaining fund information.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. The financial statements of the Division of Museums and History Dedicated Trust Fund, the Pension Trust Funds, the Insurance Premiums Internal Service Fund and the Retirement Benefits Investment Fund were not audited in accordance with *Government Auditing Standards*.

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 entity'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 entity'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, and the reports of other auditors, is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nevada, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As described in Note 19 to the financial statements, the State of Nevada adopted the provisions of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73,* which resulted in a restatement of the net position as of July 1, 2016. Our opinions are not modified with respect to this matter.

The Division of Museums and History Dedicated Trust Fund, audited by other auditors, did not include an adoption of the provisions of GASB No. 82 as required. The Self Insurance and Insurance Premiums Funds, audited by other auditors, partially adopted the provisions of GASB No. 82. The State restated the net position of the Division of Museums and History Dedicated Trust Fund and the Self Insurance and Insurance Premiums Funds to comply with the provisions of GASB No. 82. As part of our audit of the financial statements, we also audited the adjustments described in Note 19 that were applied to restate the net position as of July 1, 2016 of the Division of Museums and History Dedicated Trust Fund and the Self Insurance and Insurance Premiums Funds. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the financial statements of the Division of Museums and History Dedicated Trust Fund or the Self Insurance and Insurance Premiums Funds.

Correction of Errors
As discussed in Note 19 to the financial statements, the State of Nevada corrected an error in the State Highway Fund for payroll expenditures recorded in fiscal year 2017 that were for fiscal year 2016, which resulted in a restatement of net position as of July 1, 2016. In addition, as discussed in Note 19 to the financial statements, the State of Nevada corrected an error in the Unemployment Compensation Fund for interest income recorded in fiscal year 2017 that was earned in fiscal year 2016, which resulted in a restatement of net position as of July 1, 2016. Our opinions are not modified with respect to these matters.

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 6 through 16, the budgetary comparison information, the notes to required supplementary information-budgetary reporting, the schedule of funding progress, the pension plan information, and the schedule of infrastructure condition and maintenance data collectively presented on pages 92 through 98 be presented to supplement the basic financial statements. Such information, although not a 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. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Nevada's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the State of Nevada'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 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 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 State of Nevada's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
March 14, 2018

Management's Discussion and Analysis

State of Nevada management provides this discussion and analysis of the State of Nevada's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative overview and analysis of the financial activities of the State of Nevada is for the fiscal year ended June 30, 2017. Readers should consider this information in conjunction with the additional information furnished in the letter of transmittal.

Highlights

Government-wide:

- Total assets and deferred outflows of resources of the State exceeded liabilities and deferred inflows of resources by $6.9 billion (reported as net position). Of this amount, $5.6 billion is net investment in capital assets and $2.9 billion is restricted for specific uses, neither of which are available to meet the State's general obligations, and a negative $1.6 billion is reported as an unrestricted deficit, which indicates no funds are available for discretionary purposes.
- The State's total net position increased by $962.2 million or 16.1% over the prior year. Net position of governmental activities increased by $403.8 million or 8.4%. Net position of business-type activities increased by $558.4 million or 47.9%. Due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and No. 73*, the State recorded $53.7 million in deferred outflows of resources and $90.8 million in deferred inflows of resources related to the prior year, and a corresponding net increase of $37.1 million to beginning net position. Beginning net position of governmental activities increased by $31.7 million, of which $36.5 million is an increase due to the implementation of GASB Statement No. 82 and $4.8 million is a decrease due to payroll expenditures recorded in fiscal year 2017 that were for fiscal year 2016. Beginning net position of business-type activities increased by $3.7 million, of which $.7 million is an increase due to implementation of GASB Statement No. 82 and an increase of $3.0 million due to interest recorded in fiscal year 2017 that was earned in 2016.

Fund-level:

- The State's governmental funds reported combined ending fund balances of $2,118.9 million, an increase of $254.7 million from the prior year, before restatement. Of the ending fund balance, $480.1 million is nonspendable, $851.9 million is restricted, $884.5 million is committed and a negative $97.6 million is unassigned.
- The State's enterprise funds reported combined ending net position of $1,724.6 million, an increase of $558.3 million from the prior year, before restatement. Of the ending net position, $6.4 million is net investment in capital assets, $1,704.7 million is restricted, and $13.5 million is unrestricted.

Capital Assets and Long-term Debt:

- The State's capital assets, net of depreciation, increased by $108.0 million or 1.6%.
- The State's total bonds payable and certificates of participation payable decreased by $172.2 million or 5.4%.

Overview of the Financial Statements

This discussion and analysis is an introduction to the State of Nevada's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Comprehensive Annual Financial Report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the State of Nevada's finances in a manner similar to the private sector. They take into account all revenues and expenses connected with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following two statements:

The *statement of net position* presents *all* of the State's assets, liabilities, and deferred outflows/inflows of resources with the difference being reported as "net position." The statement combines and consolidates all of the State's current financial resources with capital assets and long-term obligations. Over time, increases and decreases in net position measure whether the State's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the State's net position changed during the most recent fiscal year. The statement reveals how much it costs the State to provide its various services, and whether the services cover their own costs through user fees, charges, grants, or are financed with taxes and other general revenues. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of cash flows. Therefore, some revenue and expenses reported in this statement will not result in cash flows until future fiscal periods (e.g., uncollected taxes earned and unused leave).

Both government-wide statements above report three types of activities:

Governmental Activities – Taxes and intergovernmental revenues primarily support these activities. Most services normally associated with State government fall into this category, including general government, health and social services, education, law, justice and public safety, regulation of business, transportation, recreation and resource development, interest on long-term debt and unallocated depreciation.

Business-type Activities – These activities are intended to recover all, or a significant portion, of the costs of the activities by charging fees to customers. The Housing Division and Unemployment Compensation are examples of the State's business-type activities.

Discretely Presented Component Units – Discrete component units are legally separate organizations for which their relationship with the primary government meets selected criteria. The State has three discretely presented component units – the Nevada System of Higher Education, the Colorado River Commission and the Nevada Capital Investment Corporation. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Fund Financial Statements:
A fund is an accounting entity consisting of a set of self-balancing accounts to track funding sources and spending for a particular purpose. The State's funds are broken down into three types:

Governmental funds – Most of the State's basic services are reported in governmental funds. These funds focus on short-term outflows and inflows of expendable resources as well as balances left at the end of the fiscal year available to finance future activities. These funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

The governmental fund financial statements focus on major funds and provide additional information that is not provided in the government-wide financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation is provided between the governmental fund statements and the governmental activities in the government-wide financial statements.

Proprietary funds – When the State charges customers for the services it provides, whether to outside customers (enterprise funds) or to other State agencies (internal service funds), the services are generally reported in the proprietary funds. Proprietary funds apply the accrual basis of accounting utilized by private sector businesses, and there is a reconciliation between the government-wide financial statement business-type activities and the enterprise fund financial statements. Because internal service fund operations primarily benefit governmental funds, they are included with the governmental activities in the government-wide financial statements.

Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the state government. For instance, the State acts as a trustee or fiduciary for its employee pension plans, and it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. Fiduciary funds are reported using the accrual basis of accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Notes to the Financial Statements:
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

Required Supplementary Information:
The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds, along with notes and a reconciliation of the statutory and U.S. generally accepted accounting principles (GAAP) fund balances at fiscal year-end. This section also includes a schedule of pension plan information and a schedule of infrastructure condition and maintenance data.

Other Supplementary Information:
Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, all internal service and all fiduciary funds. The non-major funds are added together, by fund type, and presented in single columns in the basic financial statements. Other supplementary information contains budgetary schedules of total uses for the General Fund and special revenue fund budgets, as well as a schedule of sources for non-major special revenue fund budgets.

Government-wide Financial Analysis

The State's overall financial position and operations for the fiscal years ended June 30, 2017 and 2016 for the primary government are summarized in the following statements based on the information included in the government-wide financial statements.

State of Nevada's Net Position-Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	2017-2016
Assets							
Current and other assets	$ 4,470,888	$ 4,123,954	$ 2,748,174	$ 2,379,222	$ 7,219,062	$ 6,503,176	$ 715,886
Net capital assets	6,973,989	6,867,876	14,712	12,851	6,988,701	6,880,727	107,974
Total assets	11,444,877	10,991,830	2,762,886	2,392,073	14,207,763	13,383,903	823,860
Total deferred outflows of resources	427,810	281,360	7,571	4,832	435,381	286,192	149,189
Liabilities							
Current liabilities	1,779,280	1,729,053	69,179	66,378	1,848,459	1,795,431	53,028
Long-term liabilities	4,704,329	4,384,984	973,101	1,157,624	5,677,430	5,542,608	134,822
Total liabilities	6,483,609	6,114,037	1,042,280	1,224,002	7,525,889	7,338,039	187,850
Total deferred inflows of resources	180,372	354,233	3,517	6,672	183,889	360,905	(177,016)
Net Position							
Net investment in capital assets	5,623,373	5,588,027	6,446	4,310	5,629,819	5,592,337	37,482
Restricted	1,165,363	1,105,037	1,704,681	1,153,048	2,870,044	2,258,085	611,959
Unrestricted (deficit)	(1,580,030)	(1,888,144)	13,533	8,873	(1,566,497)	(1,879,271)	312,774
Total net position	$ 5,208,706	$ 4,804,920	$ 1,724,660	$ 1,166,231	$ 6,933,366	$ 5,971,151	$ 962,215

Net Position:
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State reported net position of $6.9 billion at the end of 2017, compared with $6.0 billion at the end of the previous year.

The largest portion of the State's net position ($5.6 billion or 81.2%) reflects its investment in capital assets such as land, buildings, improvements other than buildings, equipment, software costs, construction in progress, infrastructure and rights-of-way, less any related debt still outstanding that was used to acquire those assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position ($2.9 billion or 42.0%) represents resources that are subject to external restrictions on how they may be used. At the close of the fiscal year, the State reported an unrestricted net position deficit of $1.6 billion or (23.2%) as compared to a $1.9 billion deficit in the prior year. The governmental activities and business-type activities components of the unrestricted net position deficit are discussed below.

The unrestricted net position deficit in governmental activities decreased by $308.1 million; from a deficit of $1.9 billion to a total deficit of $1.6 billion. Changes in governmental activities were a result of several factors, including an increase in the unrestricted fund balance of the General Fund of $153.4 million and an increase of $14.7 million in deferred inflows of resources for unrestricted and unavailable revenue recognized as revenue in the government-wide statement of net activities. Of the $14.7 million increase in deferred inflows of resources for unrestricted and unavailable revenue, approximately $20.9 million is from unrestricted tax revenue, a $9.4 million increase is from federal revenues, and a decrease of $9.5 million is from rebates for health services. In business-type activities the unrestricted net position increased by $4.6 million from a net position of $8.9 million to a net position of $13.5 million. The increase is primarily due to an increase in the unrestricted net position of the Housing Division fund in the amount of $2.9 million.

Changes in State of Nevada's Net Position-Primary Government
(expressed in thousands)

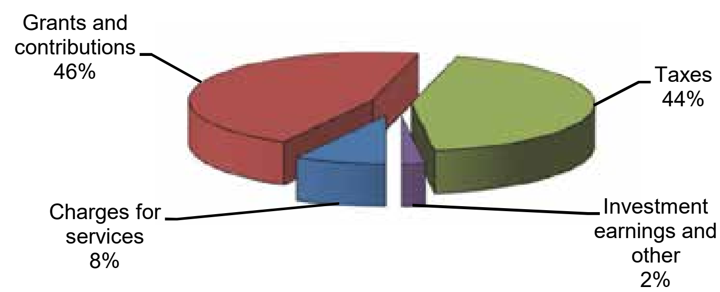
	Governmental Activities		Business-type Activities		Total		Total Change
	2017	2016	2017	2016	2017	2016	2017-2016
Revenues							
Program revenues							
Charges for services	$ 902,110	$ 885,646	$ 123,222	$ 120,146	$ 1,025,332	$ 1,005,792	$ 19,540
Operating grants and contributions	5,076,398	4,791,688	83,365	58,795	5,159,763	4,850,483	309,280
Capital grants and contributions	31,458	12,503	-	-	31,458	12,503	18,955
General revenues							
Sales and use taxes	1,285,247	1,219,151	-	-	1,285,247	1,219,151	66,096
Gaming taxes	896,571	910,684	-	-	896,571	910,684	(14,113)
Modified business taxes	572,873	562,867	-	-	572,873	562,867	10,006
Insurance premium taxes	358,499	301,368	-	-	358,499	301,368	57,131
Lodging taxes	178,846	167,159	-	-	178,846	167,159	11,687
Cigarette taxes	180,677	153,033	-	-	180,677	153,033	27,644
Commerce taxes	198,322	143,508	-	-	198,322	143,508	54,814
Property and transfer taxes	247,939	238,192	-	-	247,939	238,192	9,747
Motor and special fuel taxes	299,426	289,909	-	-	299,426	289,909	9,517
Other taxes	680,739	582,331	624,242	566,551	1,304,981	1,148,882	156,099
Investment earnings	2,645	10,352	-	-	2,645	10,352	(7,707)
Other	207,338	267,350	-	-	207,338	267,350	(60,012)
Total Revenues	11,119,088	10,535,741	830,829	745,492	11,949,917	11,281,233	668,684
Expenses							
General government	351,831	206,620	-	-	351,831	206,620	145,211
Health services	3,957,042	3,509,058	-	-	3,957,042	3,509,058	447,984
Social services	1,545,446	1,601,995	-	-	1,545,446	1,601,995	(56,549)
Education - K-12 state support	1,478,773	1,460,123	-	-	1,478,773	1,460,123	18,650
Education - K-12 administrative	580,719	524,397	-	-	580,719	524,397	56,322
Education - higher education	570,398	577,683	-	-	570,398	577,683	(7,285)
Law, justice and public safety	750,614	709,920	-	-	750,614	709,920	40,694
Regulation of business	295,766	299,093	-	-	295,766	299,093	(3,327)
Transportation	841,046	180,224	-	-	841,046	180,224	660,822
Recreation and resource development	161,621	144,940	-	-	161,621	144,940	16,681
Interest on long-term debt	73,785	79,527	-	-	73,785	79,527	(5,742)
Unallocated depreciation	2,673	2,680	-	-	2,673	2,680	(7)
Unemployment insurance	-	-	313,306	342,279	313,306	342,279	(28,973)
Housing	-	-	19,316	27,099	19,316	27,099	(7,783)
Water loans	-	-	4,802	4,962	4,802	4,962	(160)
Workers' compensation and safety	-	-	30,011	31,024	30,011	31,024	(1,013)
Higher education tuition	-	-	23,383	25,108	23,383	25,108	(1,725)
Other	-	-	32,181	31,471	32,181	31,471	710
Total Expenses	10,609,714	9,296,260	422,999	461,943	11,032,713	9,758,203	1,274,510
Change in net position before contributions to permanent funds, special items and transfers	509,374	1,239,481	407,830	283,549	917,204	1,523,030	(605,826)
Contributions to permanent fund	9,586	7,480	-	-	9,586	7,480	2,106
Transfers	(146,901)	(127,364)	146,901	127,364	-	-	-
Change in net position	372,059	1,119,597	554,731	410,913	926,790	1,530,510	(603,720)
Net position - beginning of year	4,804,920	3,685,323	1,166,231	755,318	5,971,151	4,440,641	1,530,510
Adjustment to beginning net position	31,727	-	3,698	-	35,425	-	35,425
Net position - end of year	$ 5,208,706	$ 4,804,920	$ 1,724,660	$ 1,166,231	$ 6,933,366	$ 5,971,151	$ 962,215

Changes in Net Position:

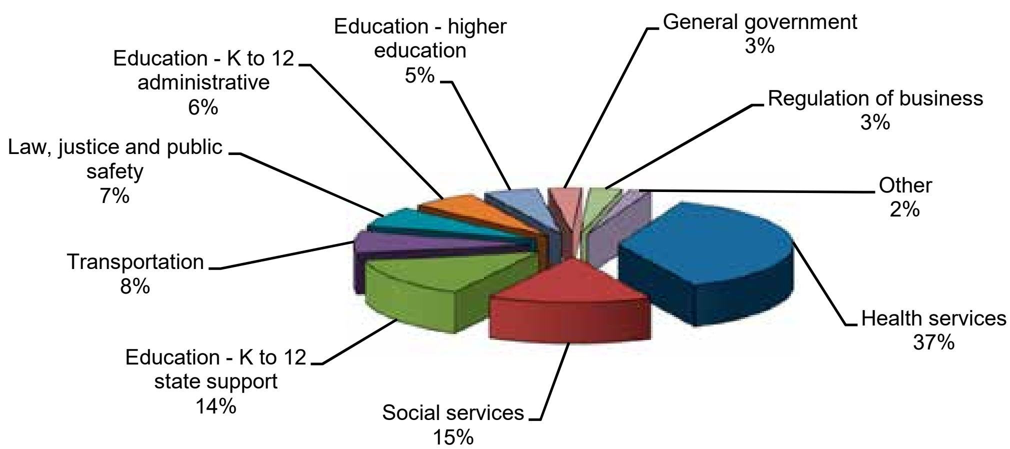
Total government-wide revenues increased by $668.7 million during the current year. The increase in revenues is a result of several factors, including increases of $309.3 million in federal funding, $156.1 million in other taxes, $66.1 million in sales and use taxes, $57.1 million in insurance premium taxes and $54.8 million in commerce taxes. Program revenues from charges for services increased by $19.5 million compared to the prior year.

Governmental activities – The current year net position increased by $372.1 million. Approximately 44.0% of the total revenue came from taxes, while 45.9% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 8.1% of the total revenues (see chart below). The State's governmental activities expenses cover a range of services and the largest expenses were 37.3% for health services, 14.6% for social services, and 13.9% for state support of K to 12 education (see chart below). In 2017, governmental activities expenses exceeded program revenues, resulting in the use of $4.6 billion in general revenues, which were generated to support the government.

The following chart depicts the governmental activities revenues for the fiscal year:



The following chart depicts the governmental activities expenses for the fiscal year:



The following table depicts the total program revenues and expenses for each function of governmental activities:

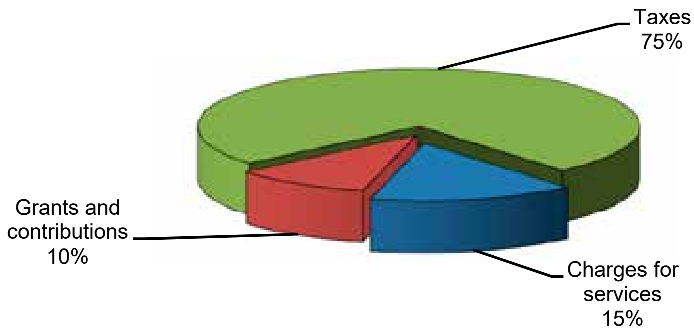
Revenues and Expenses by Function: Governmental Activities

(expressed in thousands)

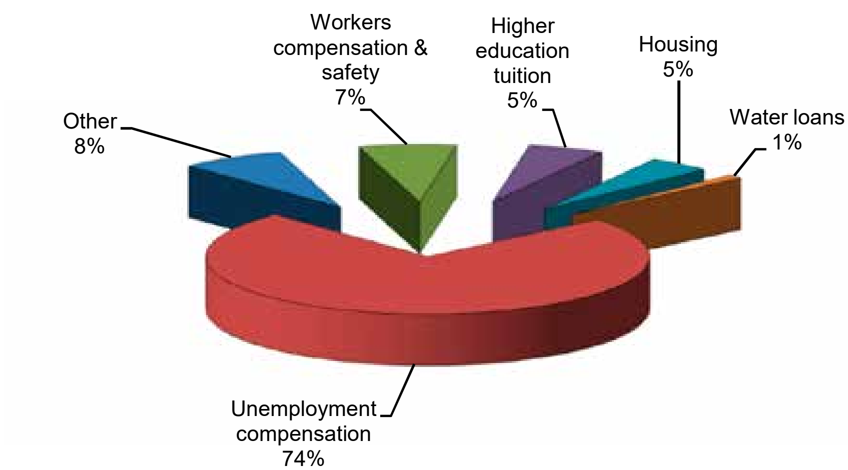
	Expenses	Revenues
General government	$ 351,831	$ 203,845
Health services	3,957,042	3,162,007
Social services	1,545,446	1,187,013
Education - K-12 state support	1,478,773	3,835
Education - K-12 administration	580,719	281,570
Education - higher education	570,398	-
Law, justice and public safety	750,614	369,697
Regulation of business	295,766	306,390
Transportation	841,046	408,142
Recreation and resource development	161,621	86,232
Total	$ 10,533,256	$ 6,008,731

Business-type activities – The current year net position increased by $554.7 million. Approximately 75.1% of the total revenue came from taxes, while 10.0% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 14.9% of the total revenues (see chart below). The State's business-type activities expenses cover a range of services. The largest expenses were 74.1% for unemployment compensation (see chart below). In 2017, business-type activities expenses exceeded program revenues by $216.4 million. Of this amount, unemployment compensation was the largest, with net expenses of $291.3 million, resulting in the use of general revenues generated by and restricted to the Unemployment Compensation Fund.

The following chart depicts the business-type activities revenues for the fiscal year:



The following chart depicts the business-type activities expenses for the fiscal year:



The following table depicts the total program revenues and expenses for each function for business-type activities:

Revenues and Expenses by Function: Business-type Activities
(expressed in thousands)

	Expenses	Revenues
Unemployment compensation	$ 313,306	$ 22,046
Housing	19,316	29,365
Water loans	4,802	32,832
Workers' compensation	30,011	45,729
Higher education tuition	23,383	41,436
Other	32,181	35,179
Total	$ 422,999	$ 206,587

The State's overall financial position improved over the past year. Current year operations resulted in a $372.1 million increase in the net position of the governmental activities and a $554.7 million increase in the net position of the business-type activities. Key economic indicators from the State's sales and other taxes continue to show positive growth. Tax revenues for governmental activities increased in the current fiscal year $330.9 million or 7.2% compared to an increase of $455.4 million or 11.1% in the prior fiscal year. In addition, operating grants and contributions for governmental activities increased $284.7 million primarily due to Medicaid receipts.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds:
As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $2.1 billion, an increase of $254.7 million from the prior year. Of these total ending fund balances, $480.1 million or 22.7% is nonspendable, either due to its form or legal constraints, and $851.9 million or 40.2% is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $884.5 million or 41.7% of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur if actual revenues for the biennium fall short by 5% or more from anticipated revenues, if the Legislature and Governor declare that a fiscal emergency exists, or if the Legislature allocates it to be used for any other purpose. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2017 is $103.3 million. The remaining negative $97.6 million or (4.6%) of fund balance is unassigned. The major funds are discussed more fully below.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the total General Fund fund balance was $556.7 million compared to $398.2 million in the prior fiscal year. The fund balance increased by $158.5 million or 39.8% over the previous year. The negative unassigned fund balance of $97.6 million is primarily due to an accrual for Medicaid expenditures and for unearned gaming taxes already collected and budgeted but not yet recognized as revenues.

The following schedule presents a summary of revenues of the General Fund for the fiscal years ended June 30, 2017 and 2016 (expressed in thousands). Other financing sources are not included.

General Fund Revenues *(expressed in thousands)*

	2017		2016		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees and licenses	$ 884,599	9.5%	$ 896,768	10.3%	$ (12,169)	-1.4%
Sales taxes	1,282,745	13.7%	1,214,113	13.9%	68,632	5.7%
Modified business taxes	575,233	6.2%	561,779	6.5%	13,454	2.4%
Insurance premium taxes	358,482	3.8%	309,114	3.6%	49,368	16.0%
Lodging taxes	178,846	1.9%	167,160	1.9%	11,686	7.0%
Cigarette taxes	180,677	1.9%	153,033	1.8%	27,644	18.1%
Commerce taxes	197,827	2.1%	143,507	1.7%	54,320	37.9%
Property and transfer taxes	87,446	0.9%	80,169	0.9%	7,277	9.1%
Motor and special fuel taxes	2,220	0.0%	2,338	0.0%	(118)	-5.0%
Other taxes	320,521	3.5%	327,976	3.8%	(7,455)	-2.3%
Intergovernmental	4,727,482	50.6%	4,358,111	50.0%	369,371	8.5%
Licenses, fees and permits	359,687	3.9%	353,306	4.1%	6,381	1.8%
Sales and charges for services	71,813	0.8%	72,635	0.8%	(822)	-1.1%
Interest and investment income	2,820	0.0%	8,445	0.0%	(5,625)	-66.6%
Other revenues	116,252	1.2%	61,293	0.7%	54,959	89.7%
Total revenues	$ 9,346,650	100.0%	$ 8,709,747	100.0%	$ 636,903	7.3%

The total General Fund revenues increased $636.9 million or 7.3%. The largest increases in revenue sources were $369.4 million or 8.5% in intergovernmental revenues, $68.6 million or 5.7% in sales taxes, $54.3 million or 37.9% in commerce taxes, $49.4 million or 16.0% in insurance premium taxes, and $55.0 million or 89.7% in other revenues. The increase in intergovernmental revenues is primarily due to $313.6 million in receipts for Medicaid. The increase in other revenues is due to $47.9 of settlement funds received in the current year. The largest decline in revenue sources was $12.2 million or 1.4% in gaming taxes, fees and licenses, and $7.5 million or 2.3% in other taxes.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2017 and 2016 (expressed in thousands). Other financing uses are not included.

General Fund Expenditures *(expressed in thousands)*

	2017		2016		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	$ 139,990	1.5%	$ 127,247	1.5%	$ 12,743	10.0%
Health services	3,948,218	43.0%	3,535,984	41.2%	412,234	11.7%
Social services	1,545,419	16.8%	1,510,685	17.6%	34,734	2.3%
Education - K-12 state support	1,478,773	16.1%	1,460,123	17.0%	18,650	1.3%
Education - K-12 administrative	588,991	6.4%	524,747	6.1%	64,244	12.2%
Education - higher education	583,819	6.4%	549,228	6.5%	34,591	6.3%
Law, justice and public safety	498,523	5.4%	473,774	5.5%	24,749	5.2%
Regulation of business	274,436	3.0%	276,859	3.2%	(2,423)	-0.9%
Recreation, resource development	130,315	1.4%	115,883	1.4%	14,432	12.5%
Debt service	3,502	0.0%	3,368	0.0%	134	4.0%
Total expenditures	$ 9,191,986	100.0%	$ 8,577,898	100.0%	$ 614,088	7.2%

The total General Fund expenditures increased 7.2%. The largest increases in expenditures were $412.2 million or 11.7% in health services expenditures, $34.7 million or 2.3% in social services expenditures, $64.2 million or 12.2% in education K to 12 administrative expenditures, and $34.6 million or 6.3% in higher education expenditures. Health services expenditures increased due to expansion of the Medicaid program. The largest decrease was $2.4 million or .9% of expenditures for the regulation of business.

The State Highway Fund is a special revenue fund used to account for the maintenance, regulation and construction of public highways and is funded through vehicle fuel taxes, federal funds, other charges and bond revenue. The fund balance increased by $12.5 million or 2.4%, of which $4.8 million or .9% is a decrease to beginning fund balance due to an error in calculating accrued payroll in the prior year, for an increase of $17.3 million or 3.3% during the current fiscal year compared to a $194.7 million or 58.3% increase in the prior year. This was primarily due to the issuance of bonds in the prior year spent on transportation projects in the current year. In addition, there was an increase in other taxes due to the Legislative allocation to the Highway Fund of $38.6 million in motor vehicle government services tax commissions and penalties allocated to the General Fund in 2016. Expenditures increased as spending for four major road construction projects, Project NEON, USA Parkway, the Boulder City Bypass and bus lanes for Las Vegas Blvd, increased.

The Municipal Bond Bank Fund is a special revenue fund used to account for revenues and expenditures associated with buying local government bonds with proceeds of State general obligation bonds. The fund balance decreased by $4.5 million during the current fiscal year, which is a 4.8% decrease from the prior year. This decrease was primarily due to payment of principal of $8.1 million.

The Permanent School Fund is a permanent fund used to account for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education. The fund balance increased by $9.5 million during the current fiscal year, which is a 2.8% increase from the prior year. This increase is due to $9.7 million in land sales and other income that become permanent assets of the fund.

Proprietary Funds:

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of two types: enterprise funds and internal service funds. Enterprise funds are used when goods or services are provided primarily to parties outside of the State while internal service funds are used when goods or services are provided primarily to State agencies.

Enterprise Funds – There are four *major* enterprise funds: Housing Division Fund, Unemployment Compensation Fund, Water Projects Loans Fund and the Higher Education Tuition Trust Fund. The combined net position of the four major funds is $1,698.0 million, the net position of the nonmajor enterprise funds is $26.6 million and the total combined net position of all enterprise funds is $1,724.6 million. The combined net position of all enterprise funds increased by $558.3 million in 2017, of which $.7 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, and $3.0 million is an increase to beginning net position due to an interest income calculation, for a final net position of $1,724.6 million. The major enterprise funds are discussed below:

The Housing Division Fund was created for the purpose of making available additional funds to assist private enterprise and governmental agencies in providing safe and sanitary housing facilities and provides low interest loans for first-time homebuyers with low or moderate incomes. The net position increased by $9.9 million or 5.1%, resulting in an ending net position of $206.5 million. Revenues from interest on loans increased by 4.2% reflecting Nevada's improving but still recovering housing market. Operating expenses decreased by $6.2 million, and operating revenues increased by $.5 million.

The Unemployment Compensation Fund accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net position increased by $496.8 million during the current fiscal year, of which $3.0 million is a decrease to beginning net position due to an error in interest income calculation, resulting in an ending net position of $998.0 million. This increase in net position is primarily due to operating revenues exceeding expenses by $332.6 million and a transfer of $164.6 million from the Unemployment Compensation Bond Fund for special bond contributions assessed on employers for payment of principal and interest on Unemployment Compensation Bonds. During fiscal year 2017, $310.0 million of unemployment compensation benefits was paid to unemployed State citizens compared to $338.3 million paid in fiscal year 2016, representing an 8.4% decrease in claims expense.

The Water Projects Loans Fund issues loans to governmental and private entities for two programs: Safe Drinking Water and Water Pollution Control. The federal EPA matches the State's bond proceeds to make loans to governmental entities; only federal funds are loaned to private entities. The net position increased by $26.1 million during the current fiscal year, of which $.01 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73,* for a final net position of $415.7 million, which is a 6.7% increase from the prior year.

The Higher Education Tuition Trust Fund provides a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college. The Trust Fund completed its nineteenth enrollment period during the fiscal year with 916 new enrollments. The net position increased $18.7 million, of which $.01 million is an increase to beginning net position due to the implementation of GASB Statement No. 82*, Pension Issues-an amendment of GASB Statements No. 67, 68 and 73*, for an ending net position of $77.8 million, a 31.6% increase over last year, primarily due to an increase in interest and investment income.

Internal Service Funds – The internal service funds charge State agencies for goods and services such as building maintenance, purchasing, printing, insurance, data processing and fleet services in order to recover the costs of the goods or services. Rates charged to State agencies for the operations of internal service funds are adjusted in following years to offset gains and losses. Because these are allocations of costs to other funds, they are not included separately in the government-wide financial statements but are eliminated and reclassified as either governmental activities or business-type activities. In 2017, total internal service fund net position increased by $7.1 million, of which $1.0 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73,* for a final net position of $13.4 million. The two largest funds are:

The Self-Insurance Fund accounts for group health, life and disability insurance for State employees and retirees and certain other public employees. Net position increased by $.3 million, of which $.06 million is an increase to beginning net position due to the implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73,* for a final net position of $74.1 million. The remaining increase is considered a normal fluctuation in insurance premium income and in claims expense.

The Insurance Premiums Fund accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The net position deficit decreased by $1.1 million or 2.1% during the current year, of which $.02 million is an increase to beginning net position due to implementation of GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, 68 and 73,* resulting in an ending net position deficit of $48.9 million. The remaining deficit decrease is due to increase in insurance premium income of 6.1% and a $.3 million decrease in transfers out to other funds.

Analysis of General Fund Budget Variations

The General Fund budgetary revenues and other financing sources were $652.3 million or 5.6% less than the final budget, primarily because actual intergovernmental revenues received were less than the final budgeted amount. Intergovernmental revenues represent federal grants, and there are timing differences arising from when grants are awarded, received and spent. The final budget can include grant revenue for the entire grant period, whereas the actual amount recorded represents grant revenue received in the current year.

The net increase in the General Fund expenditures and other uses budget from original to final was $1.4 billion. Some of the differences originate because the original budget consists only of those budgets subject to legislative approval through the General Appropriations Act and the Authorizations Bill. The non-executive budgets, not subject to legislative approval, only require approval by the Budget Division and if approved after July 1, are considered to be revisions. Increases due to the non-executive budgets approved after July 1 and increased estimated receipts were approximately $1.1 billion. Other significant increases were a result of appropriations approved by the 79th (2017) Legislative Session, including $99.8 million for capital improvement projects; $62.3 million for the Department of Education due to a shortfall in local school support tax revenue and an increase in K-12 enrollment; $26.1 million for costs of the 79th Legislative Session and to restore balances in the contingency account; $20.0 million for the Millennium Scholarship Fund; and $17.0 million for a human resource management information system for Clark County School District.

Capital Assets and Long-term Debt Administration

Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2017 amount to $8.3 billion, net of accumulated depreciation of $1.3 billion, leaving a net book value of $7.0 billion. This investment in capital assets includes land, buildings, improvements other than buildings, equipment, software costs, infrastructure, rights-of-way, and construction in progress. Infrastructure assets are items that are normally immovable, such as roads and bridges.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense on infrastructure. Utilization of this approach requires the State to: 1) commit to maintaining and preserving affected assets at or above a condition level established by the State; 2) maintain an inventory of the assets and perform periodic condition assessments to ensure that the condition level is being maintained; and 3) make annual estimates of the amounts that must be expended to maintain and preserve assets at the predetermined condition levels. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). In 2016, the State realigned its goals and has set a policy to maintain each category of its roadways with an IRI of 95 or less. The prior policy was to maintain each category with an IRI of 80 or less. The 2014 assessment results are based on the previous rating system. Results of condition assessments from 2015 and 2016 under the new rating system policy provide reasonable assurance that the condition level of the roadways is being preserved above, or approximately at, the condition level established for all road categories. The following tables show the roadways condition assessments under the current and previous State's policy and current condition level of bridges:

Condition Level of the Roadways

Percentage of roadways with an IRI of less than 95

	Category I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2016 condition assessment	91%	88%	92%	66%	30%
Actual results of 2015 condition assessment	87%	82%	85%	45%	13%

Condition Level of the Roadways

Percentage of roadways with an IRI of less than 80

	Category I	II	III	IV	V
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2014 condition assessment	84%	71%	62%	33%	7%

Condition Level of the Bridges

Percentage of substandard bridges

	2016	2012	2011
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	2%	4%	4%

The estimated amount necessary to maintain and preserve infrastructure assets at target condition levels exceeded the actual amounts of expense incurred for fiscal year 2017 by $14.1 million. Even though actual spending for maintenance and preservation of infrastructure assets fell below estimates, condition levels are expected to approximately meet or exceed the target condition levels for the roadway category. Additional information on the State's infrastructure can be found in the Schedule of Infrastructure Condition and Maintenance Data in the Required Supplementary Information section to the financial statements.

To keep pace with the demands of the population, the State also has a substantial capital projects program. The following is a summary of major projects in progress or completed during 2017 (expressed in millions):

	Expended by June 30, 2017	Total Budget
Healthcare Reform Software	$ 51.9	$ 51.9
Unemployment Insurance Software Development	36.5	36.5
New Readiness Center North Las Vegas	31.0	31.0
DMV East Sahara Complex	20.9	25.1
DMV System Modernization	16.1	109.5
Southern Nevada Veterans' Cemetery Expansion	11.7	13.4
NDOT Integrated Right-of-Way Software	7.0	7.0
Alpha Migration Software	6.0	6.0
Ely State Prison Air Handling Units	5.3	8.3
Southern Desert CC Distribution Switchgear & Panel boards	5.0	7.8

Additional information on the State's capital assets can be found in Note 7 to the financial statements.

Long-term Debt Administration:
As of year-end, the State had $3.0 billion in bonds and certificates of participation outstanding, compared to $3.2 billion last year, a decrease of $172.2 million or 5.4% during the current fiscal year. This decrease was due primarily to the payment of principal on debt and refunding of general obligation bonds and certificates of participation.

The most current bond ratings from Fitch Investor Service was AA+, Moody's was Aa2, and Standard and Poor's was AAA. These ratings are an indication of high quality obligations and a reflection of sound financial management. The Constitution of the State limits the aggregate principal amount of the general obligation debt to 2% of the total reported assessed property value of the State.

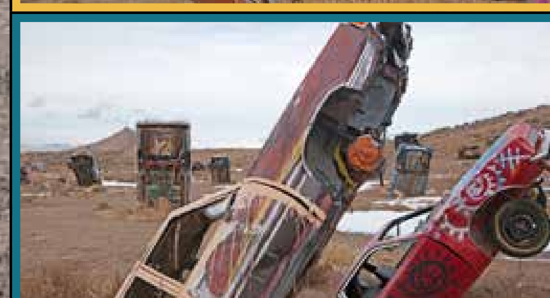
New bonds issued during the 2017 fiscal year and draws on previously authorized Housing bonds were (expressed in thousands):

General Obligation Capital Improvement and Cultural Centers Bonds	11/9/2016C	$ 35,180
General Obligation Natural Resources and Refunding Bonds	11/9/2016D	13,610
Special Obligation Highway Improvement Revenue Bonds	2/28/2017	167,665
Lease Revenue Refunding Certificates of Participation	8/30/2016	3,730
Housing Multi-Unit Agate Seniors II	12/12/2014	4,615
Housing Multi-Unit Terracina	8/26/2015	1,607
Housing Multi-Unit 501 N Lamb Apartments	12/18/2015	15,346
Housing Multi-Unit Boulder Pines II	5/26/2016	11,440
Housing Multi-Unit Vintage @ the Crossings	9/8/2016	4,644
Housing Multi-Unit Rose Garden Townhouses	11/17/2016	7,993
Housing Multi-Unit Baltimore Cleveland	2/3/2017	11,764
Housing Multi-Unit Sierra Pointe & Granada	3/8/2017	16,750
Housing Multi-Unit Madison Palms	6/23/2017	55

Additional information on the State's long-term debt obligations can be found in Note 10 to the financial statements and in the Statistical Section.

Requests for Information
This financial report is designed to provide a general overview of the State of Nevada's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: State of Nevada, Office of the State Controller, 101 N. Carson Street, Suite 5, Carson City, NV 89701 or visit our website at: www.controller.nv.gov.

Basic Financial Section



International Car Forest of the Last Church

Just outside what was once one of the wealthiest boomtowns in Nevada is another one of the state's incredible outdoor art installations worth traipsing through. Visitors can enjoy this free, one-of-a-kind gallery comprised of over 40 cars, each a unique masterpiece of its own. While some cars are forcefully driven into the ground clawing toward the sky, others are carefully balanced atop each other, as though they could topple over at any minute.

While other outdoor car exhibits can be enjoyed in other states [Like Texas' Cadillac Ranch or Nebraska's Carhenge] it is believed that The International Car Forest of the Last Church is the largest in the country.

Photos by: Sydney Martinez/TravelNevada

DON'T FENCE ME IN

Statement of Net Position

June 30, 2017 (Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and pooled investments	$ 2,197,766	$ 1,049,204	$ 3,246,970	$ 297,102
Investments	287,701	403,196	690,897	1,407,168
Internal balances	103	(103)	-	-
Due from component unit	39,517	-	39,517	-
Due from primary government	-	-	-	33,844
Accounts receivable	139,382	2,994	142,376	64,130
Taxes/assessments receivable	1,142,568	244,548	1,387,116	-
Intergovernmental receivables	474,901	2,350	477,251	39,480
Accrued interest and dividends	6,655	19,340	25,995	42
Contracts receivable	-	43,209	43,209	-
Mortgages receivable	-	419,091	419,091	-
Notes/loans receivable	104,515	378,450	482,965	31,037
Capital lease receivable	49,495	-	49,495	-
Other receivables	16	-	16	89,570
Inventory	23,404	1,545	24,949	8,426
Prepaid expenses	2,496	221	2,717	28,766
Restricted assets:				
Cash	2,365	-	2,365	73,660
Investments	-	184,114	184,114	10,063
Other assets	4	15	19	58,449
Capital assets:				
Land, infrastructure and construction in progress	5,611,475	568	5,612,043	259,025
Other capital assets, net	1,362,514	14,144	1,376,658	2,002,215
Total assets	11,444,877	2,762,886	14,207,763	4,402,977
Deferred Outflows of Resources				
Deferred charge on refunding	70,312	865	71,177	13,451
Pension contributions	357,498	6,706	364,204	80,344
Total deferred outflows of resources	427,810	7,571	435,381	93,795
Liabilities				
Accounts payable	1,150,229	54,572	1,204,801	52,864
Accrued payroll and related liabilities	59,278	927	60,205	84,972
Intergovernmental payables	197,577	11	197,588	-
Interest payable	17,630	3,611	21,241	13,023
Due to component units	33,843	1	33,844	-
Due to primary government	-	-	-	39,517
Contracts/retentions payable	107,793	-	107,793	-
Unearned revenues	134,420	10,046	144,466	48,054
Other liabilities	78,510	11	78,521	42,278
Long-term liabilities:				
Portion due or payable within one year:				
Reserve for losses	86,802	-	86,802	-
Obligations under capital leases	2,382	-	2,382	1,234

Compensated absences	64,957	1,179	66,136	35,133
Benefits payable	-	19,161	19,161	-
Bonds payable	187,367	146,280	333,647	39,633
Certificates of participation payable	4,567	-	4,567	-
Pollution remediation obligations	285	-	285	-
Arbitrage rebate liability	-	1,075	1,075	-
Portion due or payable after one year:				
Federal advances	-	-	-	7,714
Reserve for losses	47,592	-	47,592	-
Obligations under capital leases	14,981	-	14,981	49,990
Net pension obligation	2,166,665	41,770	2,208,435	395,948
Compensated absences	31,663	543	32,206	15,287
Benefits payable	-	201,938	201,938	-
Bonds payable	2,013,353	561,155	2,574,508	656,406
Certificates of participation payable	81,475	-	81,475	-
Unearned revenue	-	-	-	47,395
Pollution remediation obligations	2,240	-	2,240	-
Total liabilities	6,483,609	1,042,280	7,525,889	1,529,448
Deferred Inflows of Resources				
Pension related amounts	179,497	3,517	183,014	50,157
Taxes	86	-	86	-
Fines and forfeitures	789	-	789	-
Donations	-	-	-	9,183
Lease revenue	-	-	-	4,035
Total deferred inflows of resources	180,372	3,517	183,889	63,375
Net Position				
Net investment in capital assets	5,623,373	6,446	5,629,819	1,624,100
Restricted for:				
Unemployment compensation	-	998,017	998,017	-
Security of outstanding obligations	-	193,289	193,289	-
Workers' compensation	-	19,984	19,984	-
Tuition contract benefits	-	77,680	77,680	-
Capital projects	14,279	-	14,279	65,292
Debt service	30,124	-	30,124	27,584
Education - K to 12	3,715	-	3,715	-
Transportation	288,179	-	288,179	-
Recreation and resource development	51,993	415,709	467,702	-
Law, justice and public safety	55,624	-	55,624	-
Health services	339,061	-	339,061	-
Social services	212	-	212	-
Regulation of business	31,040	2	31,042	-
Scholarships	-	-	-	497,532
Loans	-	-	-	6,340
Operations and maintenance	-	-	-	929
Research and development	-	-	-	10,276
Other purposes	304	-	304	3,622
Funds held as permanent investments:				
Nonexpendable	350,811	-	350,811	432,852
Expendable	21	-	21	-
Unrestricted (deficit)	(1,580,030)	13,533	(1,566,497)	235,423
Total net position	$ 5,208,706	$ 1,724,660	$ 6,933,366	$ 2,903,950

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2017 (Expressed in Thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary Government								
Governmental activities:								
General government	$ 351,831	$ 194,111	$ 9,714	$ 20	$ (147,986)	$ -	$ (147,986)	$ -
Health services	3,957,042	106,150	3,055,857	-	(795,035)	-	(795,035)	-
Social services	1,545,446	137,574	1,049,439	-	(358,433)	-	(358,433)	-
Education - K-12 state support	1,478,773	-	3,835	-	(1,474,938)	-	(1,474,938)	-
Education - K-12 administrative	580,719	2,757	278,813	-	(299,149)	-	(299,149)	-
Education - higher education	570,398	-	-	-	(570,398)	-	(570,398)	-
Law, justice and public safety	750,614	316,046	45,173	8,478	(380,917)	-	(380,917)	-
Regulation of business	295,766	83,103	223,287	-	10,624	-	10,624	-
Transportation	841,046	16,262	369,270	22,610	(432,904)	-	(432,904)	-
Recreation and resource development	161,621	46,107	39,775	350	(75,389)	-	(75,389)	-
Interest on long-term debt	73,785	-	1,235	-	(72,550)	-	(72,550)	-
Unallocated depreciation	2,673	-	-	-	(2,673)	-	(2,673)	-
Total governmental activities	10,609,714	902,110	5,076,398	31,458	(4,599,748)	-	(4,599,748)	-
Business-type activities:								
Unemployment insurance	313,306	975	21,071	-	-	(291,260)	(291,260)	-
Housing	19,316	19,450	9,915	-	-	10,049	10,049	-
Water loans	4,802	8,679	24,153	-	-	28,030	28,030	-
Workers' compensation and safety	30,011	43,216	2,513	-	-	15,718	15,718	-
Higher education tuition	23,383	17,933	23,503	-	-	18,053	18,053	-
Other	32,181	32,969	2,210	-	-	2,998	2,998	-
Total business-type activities	422,999	123,222	83,365	-	-	(216,412)	(216,412)	-
Total primary government	$ 11,032,713	$ 1,025,332	$ 5,159,763	$ 31,458	(4,599,748)	(216,412)	(4,816,160)	-
Total component units	$ 1,828,982	$ 716,111	$ 534,420	$ 481	-	-	-	(577,970)

General revenues:				
Taxes:				
Gaming	896,571	-	896,571	-
Sales and use	1,136,217	-	1,136,217	-
Modified business	572,873	-	572,873	-
Insurance premium	358,499	-	358,499	-
Cigarette taxes	180,677	-	180,677	-
Commerce taxes	198,322	-	198,322	-
Property and transfer	87,447	-	87,447	-
Motor and special fuel	2,220	-	2,220	-
Other	292,479	378	292,857	-
Restricted for unemployment compensation:				
Other taxes	-	623,864	623,864	-
Restricted for educational purposes:				
Sales and use taxes	149,030	-	149,030	-
Lodging taxes	178,846	-	178,846	-
Restricted for debt service purposes:				
Property and transfer taxes	147,312	-	147,312	-
Motor and special fuel taxes	78,896	-	78,896	-
Other	5,234	-	5,234	-
Restricted for recreation and resource development purposes:				
Other taxes	39,408	-	39,408	-
Restricted for health services purposes:				
Property and transfer taxes	13,180	-	13,180	-
Other taxes	244,763	-	244,763	-
Restricted for social services purposes:				
Other taxes	15,847	-	15,847	-
Restricted for transportation purposes:				
Motor and special fuel taxes	218,310	-	218,310	-
Other taxes	87,824	-	87,824	-
Restricted for regulation of business:				
Other taxes	417	-	417	-
Settlement income	40,056	-	40,056	-
Unrestricted investment earnings	2,646	-	2,646	108,102
Gain on sale of assets	-	-	-	1,262
Other general revenues	162,048	-	162,048	31,720
Contributions to permanent funds	9,586	-	9,586	10,752
Payments from State of Nevada	-	-	-	568,164
Transfers	(146,901)	146,901	-	-
Total general revenues, contributions, payments, and transfers	4,971,807	771,143	5,742,950	720,000
Change in net position	372,059	554,731	926,790	142,030
Net position - beginning (as restated)	4,836,647	1,169,929	6,006,576	2,761,920
Net position - ending	$ 5,208,706	$ 1,724,660	$ 6,933,366	$ 2,903,950

The notes to the financial statements are an integral part of this statement.

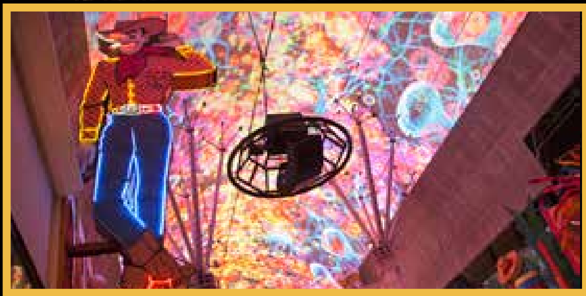
Balance Sheet
Governmental Funds

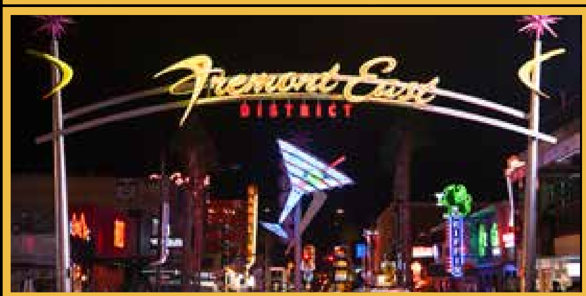
June 30, 2017

	General Fund	State Highway	Municipal Bond Bank
Assets			
Cash and pooled investments:			
Cash with treasurer	$ 889,443,408	$ 587,236,621	$ 2,960
Cash in custody of other officials	4,760,683	195,397	-
Investments	14,719,181	-	-
Receivables:			
Accounts receivable	49,734,846	8,053,193	-
Taxes receivable	1,104,970,299	36,970,366	-
Intergovernmental receivables	435,524,334	23,003,307	-
Accrued interest and dividends	5,129,167	-	1,204,605
Notes/loans receivable	14,739,727	-	89,700,000
Capital lease receivable	-	-	-
Other receivables	15,830	-	-
Due from other funds	29,579,909	24,643,337	355
Due from fiduciary funds	683,562	-	-
Due from component units	181,201	-	-
Inventory	7,585,123	15,128,599	-
Advances to other funds	4,347,158	3,792,473	-
Restricted cash	2,364,538	-	-
Prepaid items	2,359,542	33,310	-
Total assets	$ 2,566,138,508	$ 699,056,603	$ 90,907,920
Liabilities			
Accounts payable and accruals:			
Accounts payable	$ 512,133,062	$ 17,448,317	$ -
Accrued payroll and related liabilities	35,771,237	20,350,643	-
Intergovernmental payables	181,356,329	14,905,543	-
Contracts/retentions payable	7,942,517	88,965,118	-
Due to other funds	110,515,402	3,074,780	3,166
Due to fiduciary funds	595,882,157	559,784	-
Due to component units	15,219,277	408,237	-
Unearned revenues	132,915,003	91,090	-
Other liabilities	72,092,984	2,110,827	-
Total liabilities	1,663,827,968	147,914,339	3,166
Deferred Inflows of Resources			
Unavailable revenue:			
Taxes	104,154,412	388,079	-
Intergovernmental	203,856,388	-	-
Licenses, fees and permits	1,029,049	-	-
Sales and charges for services	13,420,696	1,298,020	-
Settlement income	-	-	-
Lease principal payments	-	-	-
Interest	978,605	599,609	127,094
Other	21,309,400	3,575,879	-
Taxes	85,983	-	-
Fines and forfeitures	789,056	-	-
Total deferred inflows of resources	345,623,589	5,861,587	127,094
Fund Balances			
Nonspendable	28,247,930	15,161,909	85,510,000
Restricted	83,172,526	480,070,878	-
Committed	542,891,958	50,047,890	5,267,660
Unassigned	(97,625,463)	-	-
Total fund balances	556,686,951	545,280,677	90,777,660
Total liabilities, deferred inflows of resources and fund balances	$ 2,566,138,508	$ 699,056,603	$ 90,907,920

The notes to the financial statements are an integral part of this statement.

Permanent School Fund	Other Governmental Funds	Total Governmental Funds
$ 12,034,499	$ 427,994,656	$ 1,916,712,144
35,227,738	70,396,752	110,580,570
271,402,943	1,579,068	287,701,192
928	72,023,652	129,812,619
-	627,281	1,142,567,946
601,681	8,053,361	467,182,683
302,447	19,167	6,655,386
-	-	104,439,727
-	49,495,000	49,495,000
-	-	15,830
52,818	91,177,139	145,453,558
-	1,153,156	1,836,718
37,123,965	192,147	37,497,313
-	438,546	23,152,268
-	451,910	8,591,541
-	-	2,364,538
-	10,943	2,403,795
$ 356,747,019	$ 723,612,778	$ 4,436,462,828
$ 2,536	$ 8,024,347	$ 537,608,262
-	1,885,086	58,006,966
-	1,203,218	197,465,090
-	10,885,326	107,792,961
5,445,998	33,370,882	152,410,228
-	10,994	596,452,935
-	18,203,361	33,830,875
-	1,325,857	134,331,950
506,403	3,799,881	78,510,095
5,954,937	78,708,952	1,896,409,362
-	-	104,542,491
-	-	203,856,388
-	107	1,029,156
-	16,895	14,735,611
-	19,078,822	19,078,822
-	49,495,000	49,495,000
9,937	556,980	2,272,225
928	381,913	25,268,120
-	-	85,983
-	-	789,056
10,865	69,529,717	421,152,852
350,781,217	479,489	480,180,545
-	288,637,830	851,881,234
-	286,256,790	884,464,298
-	-	(97,625,463)
350,781,217	575,374,109	2,118,900,614
$ 356,747,019	$ 723,612,778	$ 4,436,462,828





Fremont Street Experience

Fremont Street Experience is a five-block entertainment district in historic downtown Las Vegas, Nevada. The centerpiece of Fremont Street Experience is Viva Vision, the world's largest video screen. The Viva Vision screen is 1,500 feet long, 90 feet wide and is suspended 90 feet above the pedestrian mall below. The screen has 12.5 million LED lights and a 550,000-watt sound system.

Photos by: Sydney Martinez/TravelNevada

Total fund balances - governmental funds		$ 2,118,900,614
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	$ 153,068,404	
Construction in progress	124,009,332	
Infrastructure assets	4,622,006,975	
Rights-of-way	705,357,558	
Buildings	1,770,808,072	
Improvements other than buildings	127,696,406	
Furniture and equipment	387,032,725	
Software costs	275,932,371	
Accumulated depreciation/amortization	(1,222,774,384)	
Total capital assets		6,943,137,459
Some of the State's revenues collected after year-end are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable deferred inflows of resources in the funds.		420,277,813
Intergovernmental receivable not providing current resources.		209,921
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		13,380,918
The loss on early retirement of debt is reported as a deferred outflow of resources on the statement of net position and is amortized over the original remaining life of the old debt, or the life of the new debt, whichever is less.		70,312,483
Deferred outflow of resources related to pensions are not reported in the governmental funds.		348,576,865
Deferred inflow of resources related to pensions are not reported in the governmental funds.		(174,864,484)
Certain liabilities for settlement agreements are not due and payable in the current period and therefore are not reported in the funds.		(7,567,789)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net pension obligation	(2,110,227,448)	
Bonds payable	(2,196,496,654)	
Accrued interest on bonds	(17,629,889)	
Certificates of participation	(86,041,521)	
Capital leases	(17,363,351)	
Compensated absences	(93,373,620)	
Pollution remediation liability	(2,525,000)	
Total long-term liabilities		(4,523,657,483)
Net position of governmental activities		$ 5,208,706,317

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2017

	General Fund	State Highway	Municipal Bond Bank
Revenues			
Gaming taxes, fees, licenses	$ 884,598,992	$ -	$ -
Sales taxes	1,282,745,295	-	-
Modified business taxes	575,232,919	-	-
Insurance premium taxes	358,482,405	-	-
Lodging taxes	178,845,620	-	-
Cigarette taxes	180,677,113	-	-
Commerce taxes	197,827,208	-	-
Property and transfer taxes	87,446,525	-	-
Motor and special fuel taxes	2,219,763	218,309,585	-
Other taxes	320,521,276	87,788,833	-
Intergovernmental	4,727,481,761	396,895,848	-
Licenses, fees and permits	359,686,756	226,585,760	-
Sales and charges for services	71,812,775	16,353,805	-
Interest and investment income	2,820,026	1,188,785	3,502,226
Settlement income	-	-	-
Land sales	-	-	-
Other	116,251,915	17,073,200	-
Total revenues	9,346,650,349	964,195,816	3,502,226
Expenditures			
Current:			
General government	139,989,926	-	611
Health services	3,948,218,023	-	-
Social services	1,545,419,069	-	-
Education - K-12 state support	1,478,772,870	-	-
Education - K-12 administrative	588,991,333	-	-
Education - higher education	583,818,846	-	-
Law, justice and public safety	498,523,028	186,568,251	-
Regulation of business	274,436,405	-	-
Transportation	-	946,856,715	-
Recreation and resource development	130,314,996	-	-
Capital outlay	-	-	-
Debt service:			
Principal	2,415,362	-	-
Interest, fiscal charges	1,048,463	-	-
Debt issuance costs	37,904	1,046,161	-
Total expenditures	9,191,986,225	1,134,471,127	611
Excess (deficiency) of revenues over expenditures	154,664,124	(170,275,311)	3,501,615
Other Financing Sources (Uses)			
Bonds issued	1,928,587	167,665,000	-
Refunding bonds issued	-	-	-
Premium on bonds issued	108,294	18,382,245	-
Payment to refunded bond agent	-	-	-
Refunding certificates of participation issued	-	-	-
Payment to refunded certificates of participation agent	-	-	-
Sale of capital assets	166,737	-	-
Transfers in	96,242,559	14,465,502	-
Transfers out	(94,585,439)	(12,920,579)	(8,051,385)
Total other financing sources (uses)	3,860,738	187,592,168	(8,051,385)
Net change in fund balances	158,524,862	17,316,857	(4,549,770)
Fund balances, July 1 (as restated)	398,162,089	527,963,820	95,327,430
Fund balances, June 30	$ 556,686,951	$ 545,280,677	$ 90,777,660

The notes to the financial statements are an integral part of this statement.

NEVADA

Permanent School Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 13,366,175	$ 897,965,167
-	-	1,282,745,295
-	-	575,232,919
-	-	358,482,405
-	-	178,845,620
-	-	180,677,113
-	-	197,827,208
-	160,492,269	247,938,794
-	78,896,289	299,425,637
-	252,662,304	660,972,413
-	100,122,841	5,224,500,450
-	23,635,040	609,907,556
-	20,827,536	108,994,116
6,699,640	1,161,174	15,371,851
-	40,427,052	40,427,052
5,823,347	-	5,823,347
3,856,019	9,692,885	146,874,019
16,379,006	701,283,565	11,032,010,962
-	32,696,748	172,687,285
-	330,836	3,948,548,859
-	88,325,613	1,633,744,682
-	-	1,478,772,870
-	20,397	589,011,730
-	10,941,482	594,760,328
-	27,803,706	712,894,985
-	21,282,499	295,718,904
-	-	946,856,715
-	31,677,374	161,992,370
-	49,295,469	49,295,469
-	163,127,500	165,542,862
-	98,461,428	99,509,891
-	677,266	1,761,331
-	524,640,318	10,851,098,281
16,379,006	176,643,247	180,912,681
-	35,777,755	205,371,342
-	12,107,158	12,107,158
-	6,258,669	24,749,208
-	(14,697,052)	(14,697,052)
-	3,730,000	3,730,000
-	(4,071,373)	(4,071,373)
-	34,356	201,093
-	129,777,981	240,486,042
(6,835,778)	(266,924,615)	(389,317,796)
(6,835,778)	(98,007,121)	78,558,622
9,543,228	78,636,126	259,471,303
341,237,989	496,737,983	1,859,429,311
$ 350,781,217	$ 575,374,109	$ 2,118,900,614

Boulder City

Boulder City was established in 1931 to house the builders of Hoover Dam and to be a model of the brighter future Americans could expect under President Hoover's administration. To protect its residents from the wild ways of Las Vegas, only 23 miles away, the town was established with an anti-gaming ordinance that is still in effect today.

Photos by Ryan Jerz and Chris Moran
TravelNevada.com

DON'T FENCE ME IN

Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds		$ 259,471,303
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	$ 172,823,700	
Depreciation expense	(70,648,378)	
Excess of capital outlay over depreciation expense		102,175,322
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
Bonds issued	(205,371,342)	
Refunding bonds issued	(12,107,158)	
Refunding certificates of participation issued	(3,730,000)	
Premiums on debt issued	(24,749,208)	
Total bond proceeds		(245,957,708)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Bond principal retirement	158,648,177	
Certficates of participation retirement	3,966,000	
Payments to the bond refunding agent	18,768,425	
Capital lease payments	2,164,456	
Total long-term debt repayment		183,547,058
Internal service funds are used to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		5,981,503
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered "available" and are not reported as revenues in the governmental funds. Unavailable deferred inflows of resources changed by this amount.		22,795,550
In the statement of activities, the gain or loss on the sale of assets is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the the change in net assets differs from the change in fund balance by the cost of the asset sold.		(962,227)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		(11,619,985)
Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.		36,413,602
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the net change in:		
Pension costs, net	(9,670,670)	
Accrued interest payable	3,346,894	
Compensated absences	(4,350,493)	
Long term due to component unit	24,362,000	
Settlement agreement liability	9,052,211	
Pollution remediation liability	(2,525,000)	
Total additional expenditures		20,214,942
Change in net position of governmental activities		$ 372,059,360

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Funds

June 30, 2017

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets							
Current assets:							
Cash and pooled investments:							
Cash with treasurer	$ 925,835	$ -	$ 93,424,738	$ 4,513,106	$ 62,820,444	$ 161,684,123	$170,473,332
Cash in custody of other officials	94,336	887,012,583	-	206,612	206,389	887,519,920	-
Investments	53,035,496	-	-	250,921,015	-	303,956,511	-
Receivables:							
Accounts receivable	-	-	-	-	2,987,203	2,987,203	2,772,763
Assessments receivable	-	244,547,797	-	-	-	244,547,797	-
Intergovernmental receivables	-	-	646,640	-	1,703,645	2,350,285	7,508,888
Contracts receivable	-	-	-	9,645,335	-	9,645,335	-
Mortgages receivable	22,953,430	-	-	-	-	22,953,430	-
Accrued interest and dividends	10,132,900	4,731,745	4,182,765	292,535	-	19,339,945	-
Notes/loans receivable	-	-	27,909,315	-	-	27,909,315	5,000
Due from other funds	15,151	523,179	448,709	18,729	1,573,283	2,579,051	8,651,292
Due from fiduciary funds	-	-	-	-	6,468	6,468	4,960,127
Due from component units	-	-	-	-	-	-	2,019,975
Inventory	-	-	-	-	1,545,312	1,545,312	251,829
Prepaid items	-	-	-	-	220,512	220,512	92,500
Restricted assets:							
Investments	84,120,360	-	-	-	-	84,120,360	-
Total current assets	171,277,508	1,136,815,304	126,612,167	265,597,332	71,063,256	1,771,365,567	196,735,706
Noncurrent assets:							
Investments	99,239,599	-	-	-	-	99,239,599	-
Receivables:							
Contracts receivable	-	-	-	33,563,763	-	33,563,763	-
Mortgages receivable	396,137,955	-	-	-	-	396,137,955	-
Notes/loans receivable	6,484,619	-	344,056,202	-	-	350,540,821	70,000
Restricted assets:							
Investments	99,993,582	-	-	-	-	99,993,582	-
Other assets	-	-	-	-	15,000	15,000	3,761
Capital assets:							
Land	-	-	-	-	567,812	567,812	1,032,737
Buildings	-	-	-	-	3,388,840	3,388,840	20,392,485
Improvements other than buildings	-	-	-	-	3,656,507	3,656,507	3,839,621
Furniture and equipment	798,555	-	11,820	173,374	15,794,137	16,777,886	59,683,673
Software costs	-	-	-	-	-	-	16,134,510
Construction in progress	-	-	-	-	-	-	6,000,000
Less accumulated depreciation/ amortization	(584,047)	-	(11,820)	(99,969)	(8,982,947)	(9,678,783)	(76,231,193)
Total noncurrent assets	602,070,263	-	344,056,202	33,637,168	14,439,349	994,202,982	30,925,594
Total assets	773,347,771	1,136,815,304	470,668,369	299,234,500	85,502,605	2,765,568,549	227,661,300
Deferred Outflows of Resources							
Deferred charge on refunding	-	-	691,295	-	173,759	865,054	-
Pension contributions	458,118	-	117,823	47,077	6,082,823	6,705,841	8,921,034
Total deferred outflows of resources	458,118	-	809,118	47,077	6,256,582	7,570,895	8,921,034

(Continued)

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities							
Current liabilities:							
Accounts payable and accruals:							
Accounts payable	$ 47,285,501	$ 5,936,532	$ 53,960	$ 73,747	$ 1,169,695	$ 54,519,435	$ 6,171,429
Accrued payroll and related liabilities	70,123	-	15,318	7,530	833,977	926,948	1,271,488
Interest payable	2,189,811	515,737	842,751	-	62,570	3,610,869	-
Intergovernmental payables	-	-	-	-	10,740	10,740	111,444
Bank overdraft	-	-	-	-	-	-	2,416,783
Due to other funds	131,434	191,193	245,178	33,540	1,954,229	2,555,574	1,718,099
Due to fiduciary funds	-	-	-	-	52,163	52,163	14,306
Due to component units	-	-	-	617	-	617	12,462
Unearned revenues	-	-	-	-	10,045,638	10,045,638	87,670
Other liabilities	-	-	-	-	11,450	11,450	-
Short-term portion of long-term liabilities:							
Reserve for losses	-	-	-	-	-	-	86,801,669
Compensated absences	57,519	-	26,541	15,805	1,079,358	1,179,223	2,012,610
Benefits payable	-	-	-	19,160,843	-	19,160,843	-
Bonds payable	4,917,828	131,079,204	9,993,840	-	289,158	146,280,030	513,323
Arbitrage rebate liability	-	1,075,289	-	-	-	1,075,289	-
Total current liabilities	54,652,216	138,797,955	11,177,588	19,292,082	15,508,978	239,428,819	101,131,283
Noncurrent liabilities:							
Advances from other funds	-	-	-	-	186,030	186,030	8,405,511
Reserve for losses	-	-	-	-	-	-	47,591,917
Net pension obligation	2,762,355	-	832,928	270,734	37,904,234	41,770,251	56,437,910
Compensated absences	24,229	-	10,338	5,740	502,743	543,050	1,233,345
Benefits payable	-	-	-	201,938,378	-	201,938,378	-
Bonds payable	509,497,851	-	43,680,353	-	7,976,925	561,155,129	3,709,603
Total noncurrent liabilities	512,284,435	-	44,523,619	202,214,852	46,569,932	805,592,838	117,378,286
Total liabilities	566,936,651	138,797,955	55,701,207	221,506,934	62,078,910	1,045,021,657	218,509,569
Deferred Inflows of Resources							
Pension related amounts	384,489	-	66,880	21,738	3,043,537	3,516,644	4,632,604
Net Position							
Net investment in capital assets	214,508	-	-	73,405	6,158,266	6,446,179	26,710,633
Restricted for:							
Unemployment compensation	-	998,017,349	-	-	-	998,017,349	-
Tuition contract benefits	-	-	-	77,679,500	-	77,679,500	-
Security of outstanding obligations	193,289,073	-	-	-	-	193,289,073	-
Workers' compensation	-	-	-	-	19,983,505	19,983,505	-
Revolving loans	-	-	415,709,400	-	-	415,709,400	-
Regulation of business	-	-	-	-	2,000	2,000	-
Unrestricted (deficit)	12,981,168	-	-	-	492,969	13,474,137	(13,270,472)
Total net position	$206,484,749	$ 998,017,349	$ 415,709,400	$ 77,752,905	$ 26,636,740	1,724,601,143	$ 13,440,161

Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time.	59,243
Net position of business-type activities	$ 1,724,660,386

The notes to the financial statements are an integral part of this statement.

The Neon Museum

Founded in 1996, the Neon Museum is a non-profit organization dedicated to collecting, preserving, studying and exhibiting iconic Las Vegas signs for educational, historic, arts and cultural enrichment. The Neon Museum campus includes the outdoor exhibition space known as the Neon Boneyard, a visitors' center housed inside the former La Concha Motel lobby and the Neon Boneyard North Gallery which houses additional rescued signs and is available for weddings, special events, photo shoots and educational programs.

Photo by: Sydney Martinez/TravelNevada

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Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

NEVADA

For the Fiscal Year Ended June 30, 2017

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues							
Net premium income	$ -	$ -	$ -	$ -	$ -	$ -	$ 379,269,611
Sales	-	-	-	17,811,864	6,864,668	24,676,532	2,567,617
Assessments	-	623,863,870	-	-	378,850	624,242,720	-
Charges for services	-	-	7,500	120,600	14,213,766	14,341,866	54,346,356
Rental income	-	-	-	-	146,100	146,100	20,762,494
Interest income on loans/notes	10,007,630	-	8,671,522	-	-	18,679,152	-
Federal government	-	4,626,826	23,657,300	-	-	28,284,126	-
Licenses, fees and permits	-	-	-	-	51,748,174	51,748,174	-
Fines	-	-	-	-	2,115,790	2,115,790	-
Other	9,442,663	975,080	28	-	1,095,674	11,513,445	1,270,619
Total operating revenues	19,450,293	629,465,776	32,336,350	17,932,464	76,563,022	775,747,905	458,216,697
Operating Expenses							
Salaries and benefits	1,755,407	-	475,128	263,509	37,213,536	39,707,580	35,759,422
Operating	1,638,895	-	2,753,176	575,772	13,710,054	18,677,897	44,096,585
Claims and benefits expense	-	310,009,541	-	22,528,053	7,992,919	340,530,513	244,343,945
Interest on bonds payable	13,258,111	-	1,576,501	-	-	14,834,612	-
Materials or supplies used	-	-	-	-	2,567,324	2,567,324	762,445
Servicers' fees	24,104	-	-	-	-	24,104	-
Depreciation	38,370	-	-	16,698	517,027	572,095	5,158,634
Bond issuance costs	52,833	-	-	-	-	52,833	-
Insurance premiums	-	-	-	-	-	-	124,132,561
Total operating expenses	16,767,720	310,009,541	4,804,805	23,384,032	62,000,860	416,966,958	454,253,592
Operating income (loss)	2,682,573	319,456,235	27,531,545	(5,451,568)	14,562,162	358,780,947	3,963,105
Nonoperating Revenues (Expenses)							
Interest and investment income	5,701,252	16,444,093	496,046	23,502,640	(56,064)	46,087,967	145,639
Interest expense	-	(2,468,703)	-	-	(345,590)	(2,814,293)	(218)
Federal grant revenue	4,213,578	-	-	-	4,779,103	8,992,681	-
Federal grant expense	(2,560,015)	-	-	-	-	(2,560,015)	-
Reed Act expenses	-	(723,708)	-	-	-	(723,708)	-
Gain (loss) on disposal of assets	-	-	-	-	800	800	111,833
Arbitrage rebate	-	(103,585)	-	-	-	(103,585)	-
Total nonoperating revenues (expenses)	7,354,815	13,148,097	496,046	23,502,640	4,378,249	48,879,847	257,254
Income (loss) before transfers	10,037,388	332,604,332	28,027,591	18,051,072	18,940,411	407,660,794	4,220,359
Transfers							
Transfers in	-	164,580,721	-	627,175	12,076	165,219,972	1,930,691
Transfers out	(95,077)	(3,444,416)	(1,934,982)	-	(12,844,434)	(18,318,909)	-
Change in net position	9,942,311	493,740,637	26,092,609	18,678,247	6,108,053	554,561,857	6,151,050
Net position, July 1 (as restated)	196,542,438	504,276,712	389,616,791	59,074,658	20,528,687		7,289,111
Net position, June 30	$ 206,484,749	$ 998,017,349	$ 415,709,400	$ 77,752,905	$ 26,636,740		$ 13,440,161
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.						169,547	
Change in net position of business-type activities						$ 554,731,404	

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities							
Receipts from customers and users	$ 25,892,558	$ 604,257,563	$ 7,528	$ 18,022,259	$ 83,705,829	$ 731,885,737	$ 49,282,199
Receipts for interfund services provided	-	1,639,412	-	15,949	3,547,302	5,202,663	388,530,297
Receipts from component units	-	-	-	-	-	-	15,615,322
Receipts of principal on loans/notes	49,401,867	-	-	-	-	49,401,867	5,000
Receipts of interest on loans/notes	10,976,628	-	-	-	-	10,976,628	-
Receipts from federal government	-	4,626,826	23,601,902	-	-	28,228,728	-
Payments to suppliers, other governments and beneficiaries	(3,941,973)	(311,462,426)	(2,632,230)	(6,347,253)	(40,108,219)	(364,492,101)	(390,721,312)
Payments to employees	(1,920,728)	-	(432,234)	(214,921)	(37,038,886)	(39,606,769)	(37,501,587)
Payments for interfund services	(603,977)	-	(127,441)	(160,821)	(7,084,720)	(7,976,959)	(18,848,876)
Payments to component units	-	-	-	(6,983,243)	(223,803)	(7,207,046)	(245,725)
Purchase of loans and notes	(59,104,899)	-	-	-	-	(59,104,899)	-
Net cash provided by (used for) operating activities	20,699,476	299,061,375	20,417,525	4,331,970	2,797,503	347,307,849	6,115,318
Cash flows from noncapital financing activities							
Grant receipts	4,213,578	-	-	-	3,563,981	7,777,559	-
Proceeds from sale of bonds	71,126,436	-	-	-	-	71,126,436	-
Transfers and advances from other funds	-	165,189,318	-	674,323	12,047	165,875,688	2,708,413
Principal paid on noncapital debt	(101,532,664)	(151,100,000)	(9,150,000)	-	-	(261,782,664)	-
Interest paid on noncapital debt	(13,867,031)	(12,380,875)	(2,200,323)	-	-	(28,448,229)	-
Transfers and advances to other funds	(95,077)	(4,018,182)	(1,974,803)	-	(14,455,295)	(20,543,357)	(109,882)
Payments to other governments and organizations	(906,452)	(723,708)	-	-	-	(1,630,160)	-
Net cash provided by (used for) noncapital financing activities	(41,061,210)	(3,033,447)	(13,325,126)	674,323	(10,879,267)	(67,624,727)	2,598,531
Cash flows from capital and related financing activities							
Proceeds from capital debt	-	-	-	-	800	800	6,000,000
Proceeds from sale of capital assets	-	-	-	-	-	-	129,675
Purchase of capital assets	-	-	-	-	(2,433,282)	(2,433,282)	(3,246,282)
Principal paid on capital debt	-	-	-	-	(247,670)	(247,670)	(2,393,537)
Interest paid on capital debt	-	-	-	-	(380,633)	(380,633)	(218)
Payments on construction projects	-	-	-	-	-	-	(6,000,000)
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(3,060,785)	(3,060,785)	(5,510,362)
Cash flows from investing activities							
Proceeds from sale of investments	414,042,501	-	-	74,024,914	-	488,067,415	-
Receipts of principal on loans/notes	-	-	27,441,573	-	-	27,441,573	-
Purchase of investments	(400,007,817)	-	-	(81,518,996)	-	(481,526,813)	-
Purchase of loans and notes	-	-	(54,199,644)	-	-	(54,199,644)	-
Interest, dividends and gains (losses)	6,141,089	14,734,536	9,071,497	3,924,796	(55,886)	33,816,032	22,022
Net cash provided by (used for) investing activities	20,175,773	14,734,536	(17,686,574)	(3,569,286)	(55,886)	13,598,563	22,022
Net increase (decrease) in cash	(185,961)	310,762,464	(10,594,175)	1,437,007	(11,198,435)	290,220,900	3,225,509
Cash and cash equivalents, July 1	1,206,132	576,250,119	104,018,913	3,282,711	74,225,268	758,983,143	167,247,823
Cash and cash equivalents, June 30	$ 1,020,171	$ 887,012,583	$ 93,424,738	$ 4,719,718	$ 63,026,833	$ 1,049,204,043	$ 170,473,332

(Continued)

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities							
Operating income (loss)	$ 2,682,573	$ 319,456,235	$ 27,531,545	$ (5,451,568)	$ 14,562,162	$ 358,780,947	$ 3,963,105
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities							
Depreciation	38,370	-	-	16,698	517,027	572,095	5,158,634
Interest on loans	-	-	(8,671,522)	-	-	(8,671,522)	-
Interest on bonds payable	13,258,111	-	1,576,501	-	-	14,834,612	-
Decrease (increase) in loans and notes receivable	(5,828,389)	-	-	-	-	(5,828,389)	5,000
Decrease (increase) in accrued interest and receivables	(7,435,993)	(18,941,975)	(54,364)	105,744	(83,689)	(26,410,277)	(4,809,589)
Decrease (increase) in inventory, deferred charges, other assets	-	-	785	-	(149,376)	(148,591)	(37,213)
Decrease (increase) in deferred outflows of resources	(216,431)	-	(65,345)	(23,390)	(3,694,705)	(3,999,871)	(5,261,458)
Increase (decrease) in accounts payable, accruals, other liabilities	18,150,125	(1,452,885)	(10,380)	9,607,438	(13,543,211)	12,751,087	2,797,564
Increase (decrease) in unearned revenues	-	-	-	-	566,812	566,812	22,097
Increase (decrease) in net pension liability	157,807	-	139,506	80,003	6,014,345	6,391,661	6,662,332
Increase (decrease) in deferred inflows of resources	(106,697)	-	(29,201)	(2,955)	(1,391,862)	(1,530,715)	(2,385,154)
Total adjustments	18,016,903	(20,394,860)	(7,114,020)	9,783,538	(11,764,659)	(11,473,098)	2,152,213
Net cash provided by (used for) operating activities	$ 20,699,476	$ 299,061,375	$ 20,417,525	$ 4,331,970	$ 2,797,503	$ 347,307,849	$ 6,115,318
Noncash investing, capital and financing activities							
Gain (loss) on disposal of assets	$ -	$ -	$ -	$ -	$ -	$ -	$ 113,040
Increase (decrease) in fair value of investments	-	-	-	19,555,230	-	19,555,230	-

The notes to the financial statements are an integral part of this statement.

June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
Assets				
Cash and pooled investments:				
Cash with treasurer	$ 3,401,325	$ -	$ 8,535,621	$ 124,251,015
Cash in custody of other officials	156,237,041	4,905,090	18,292,074	53,623,011
Investments:				
Investments	1,478,881	1,361,035,226	20,559,109,760	236,026,738
Fixed income securities	10,534,560,276	-	-	-
Marketable equity securities	16,116,468,093	-	-	-
International securities	8,261,992,413	-	-	-
Real estate	1,789,219,998	-	-	-
Alternative investments	1,677,291,420	-	-	-
Collateral on loaned securities	377,917,975	-	-	-
Receivables:				
Accrued interest and dividends	109,274,116	6,337,246	870,370	-
Taxes receivable	-	-	-	64,526,704
Trades pending settlement	199,572,660	-	7,191,172	-
Intergovernmental receivables	130,217,533	-	166,408	624,730
Contributions receivable	-	-	15,282,620	-
Other receivables	-	-	-	87,101
Due from other funds	143,623	-	179,848	596,195,933
Due from fiduciary funds	33,393,657	-	-	15,337,824
Due from component unit	1,371,241	-	-	-
Other assets	3,352,174	-	-	-
Furniture and equipment	43,608,737	-	48,222	-
Accumulated depreciation	(38,994,666)	-	(48,222)	-
Total assets	39,400,506,497	1,372,277,562	20,609,627,873	1,090,673,056
Liabilities				
Accounts payable and accruals:				
Accounts payable	12,480,830	66,706	3,168,319	-
Accrued payroll and related liabilities	-	-	-	19,056
Intergovernmental payables	-	42,067	7,478	686,107,742
Redemptions payable	-	-	4,602,784	-
Trades pending settlement	197,703,901	7,933,697	17,404,152	-
Bank overdraft	-	-	607,000	-
Obligations under securities lending	377,917,975	-	-	-
Due to other funds	5,341,864	6,366	1,455,083	-
Due to fiduciary funds	63,686	-	1,648	48,666,147
Other liabilities:				
Deposits	-	-	-	349,831,821
Other liabilities	125,120	17,968	-	6,048,290
Total liabilities	593,633,376	8,066,804	27,246,464	1,090,673,056
Net Position				
Held in trust for:				
Employees' pension benefits	38,805,396,959	-	-	-
OPEB benefits	1,476,162	-	-	-
Pool participants	-	1,364,210,758	-	-
Individuals	-	-	20,582,381,409	-
Total net position	$ 38,806,873,121	$ 1,364,210,758	$ 20,582,381,409	$ -

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2017

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
Additions			
Contributions:			
Employer	$ 946,102,220	$ -	$ -
Plan members	901,777,801	-	-
Participants	-	-	11,038,640,832
Repayment and purchase of service	67,472,466	-	-
Total contributions	1,915,352,487	-	11,038,640,832
Investment income:			
Net increase (decrease) in fair value of investments	3,259,234,886	34,018,601	1,521,710,610
Interest, dividends	784,446,547	10,925,042	446,236,958
Securities lending	5,206,183	-	-
Other	120,178,514	-	-
	4,169,066,130	44,943,643	1,967,947,568
Less investment expense:			
Other	(45,553,812)	(54,938)	-
Net investment income	4,123,512,318	44,888,705	1,967,947,568
Other:			
Investment from local governments	-	1,408,428,647	-
Reinvestment from interest income	-	5,927,880	-
Other	2,212,623	304	-
Total other	2,212,623	1,414,356,831	-
Total additions	6,041,077,428	1,459,245,536	13,006,588,400
Deductions			
Principal redeemed	-	1,160,666,223	9,636,172,366
Benefit payments	2,302,295,738	-	24,454,832
Refunds	30,392,124	-	-
Contribution distributions	418,673	6,500,000	-
Dividends to investors	-	375,394	-
Administrative expense	10,034,591	373,879	32,274,566
Total deductions	2,343,141,126	1,167,915,496	9,692,901,764
Change in net position	3,697,936,302	291,330,040	3,313,686,636
Net position, July 1	35,108,936,819	1,072,880,718	17,268,694,773
Net position, June 30	$ 38,806,873,121	$ 1,364,210,758	$ 20,582,381,409

The notes to the financial statements are an integral part of this statement.

Combining Statement of Net Position
Discretely Presented Component Units

NEVADA

June 30, 2017

	Major Component Units		Nonmajor Component Unit	
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	Total
Assets				
Cash and pooled investments	$ 13,532,928	$ 283,569,000	$ -	$ 297,101,928
Investments	-	1,370,687,000	36,480,804	1,407,167,804
Due from primary government	96,314	33,747,640	-	33,843,954
Accounts receivable	3,539,552	60,590,360	-	64,129,912
Intergovernmental receivables	-	39,480,000	-	39,480,000
Accrued interest and dividends	42,066	-	-	42,066
Notes/loans receivable	-	31,037,000	-	31,037,000
Other receivables	-	89,570,000	-	89,570,000
Inventory	-	8,426,000	-	8,426,000
Prepaid expenses	28,766,664	-	-	28,766,664
Restricted assets:				
Cash	7,294,438	66,365,000	-	73,659,438
Investments	-	10,063,000	-	10,063,000
Other assets	-	58,449,000	-	58,449,000
Capital assets:				
Land, infrastructure and construction in progress	-	259,025,000	-	259,025,000
Other capital assets, net	50,398,692	1,951,817,000	-	2,002,215,692
Total assets	103,670,654	4,262,826,000	36,480,804	4,402,977,458
Deferred Outflows of Resources				
Deferred charge on refunding	-	13,451,000	-	13,451,000
Pension contributions	997,811	79,346,000	-	80,343,811
Total deferred outflows of resources	997,811	92,797,000	-	93,794,811
Liabilities				
Accounts payable	2,176,977	50,686,907	-	52,863,884
Accrued payroll and related liabilities	127,318	84,844,000	-	84,971,318
Interest payable	337,180	12,686,000	-	13,023,180
Due to primary government	7,230	2,386,093	37,123,965	39,517,288
Unearned revenues	2,535,025	45,519,000	-	48,054,025
Other liabilities	2,798,256	39,480,000	-	42,278,256
Long-term liabilities:				
Portion due or payable within one year:				
Obligations under capital leases	-	1,234,000	-	1,234,000
Compensated absences	187,996	34,945,000	-	35,132,996
Bonds payable	5,965,000	33,668,000	-	39,633,000
Portion due or payable after one year:				
Federal advances	-	7,714,000	-	7,714,000
Obligations under capital leases	-	49,990,000	-	49,990,000
Net pension obligation	6,596,117	389,352,000	-	395,948,117
Compensated absences	131,785	15,155,000	-	15,286,785
Bonds payable	28,059,134	628,347,000	-	656,406,134
Unearned revenue	47,394,696	-	-	47,394,696
Total liabilities	96,316,714	1,396,007,000	37,123,965	1,529,447,679
Deferred Inflows of Resources				
Donations	-	9,183,000	-	9,183,000
Lease revenues	-	4,035,000	-	4,035,000
Pension related amounts	529,638	49,627,000	-	50,156,638
Total deferred inflows of resources	529,638	62,845,000	-	63,374,638
Net Position				
Net investment in capital assets	50,398,692	1,573,701,000	-	1,624,099,692
Restricted for:				
Capital projects	-	65,292,000	-	65,292,000
Debt service	-	27,584,000	-	27,584,000
Scholarships	-	497,532,000	-	497,532,000
Loans	-	6,340,000	-	6,340,000
Operations and maintenance	929,332	-	-	929,332
Research and development	10,276,431	-	-	10,276,431
Other purposes	-	3,622,000	-	3,622,000
Funds held as permanent investments:				
Nonexpendable	-	432,852,000	-	432,852,000
Unrestricted (deficit)	(53,782,342)	289,848,000	(643,161)	235,422,497
Total net position	$ 7,822,113	$ 2,896,771,000	$ (643,161)	$ 2,903,949,952

The notes to the financial statements are an integral part of this statement.

Combining Statement of Activities
Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2017

	Major Component Units		Nonmajor Component Unit	
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	Total
Expenses	$ 44,435,156	$ 1,782,586,000	$ 1,960,884	$ 1,828,982,040
Program revenues:				
Charges for services	44,006,265	672,105,000	-	716,111,265
Operating grants and contributions	-	534,420,000	-	534,420,000
Capital grants and contributions	-	481,000	-	481,000
Total program revenues	44,006,265	1,207,006,000	-	1,251,012,265
General revenues:				
Unrestricted investment earnings	137,526	104,087,000	3,876,898	108,101,424
Gain on sale of assets	-	1,262,000	-	1,262,000
Other general revenues	59,255	31,661,000	-	31,720,255
Contributions to permanent funds	-	10,752,000	-	10,752,000
Payments from State of Nevada	-	568,164,000	-	568,164,000
Total general revenues, contributions and payments	196,781	715,926,000	3,876,898	719,999,679
Change in net position	(232,110)	140,346,000	1,916,014	142,029,904
Net position, July 1	8,054,223	2,756,425,000	(2,559,175)	2,761,920,048
Net position, June 30	$ 7,822,113	$ 2,896,771,000	$ (643,161)	$ 2,903,949,952

The Generator

The Generator is an inclusive art space in greater Reno for anyone who wants to make art and be part of a creative community.

Our art space is an oasis of decommodification. We don’t buy. We don’t sell. We dream. We convene. We create. We make. We’re inspired by the magic and inspiration we see in all its enormity at Burning Man each summer, and we want to keep it alive all year. We combine forces and share resources in the name of creative growth and community involvement for all.

Photos by Kaitlin Godbey/TravelNevada

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Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the State of Nevada (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Description of Government-wide Financial Statements

The Government-wide Financial Statements, which consist of the Statement of Net Position and the Statement of Activities, report information on all non-fiduciary activities of the primary government and its component units. All fiduciary activities, including component units that are fiduciary in nature, are reported only in the fund financial statements. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, departments, agencies, and those authorities that are considered an integral part of the State's activities. Component units are legally separate organizations for which the State's elected officials are financially accountable. The State's component units have a June 30 year-end.

The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and either: 1) the ability of the State to impose its will on that organization; or 2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. When the State does not appoint a voting majority of an organization's governing body, GASB requires inclusion in the reporting entity based on financial accountability if: 1) the organization is both fiscally dependent on the State and there is the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State; or 2) it would be misleading to exclude the organization.

Fiduciary Component Units: The following fiduciary component units are legally separate from the State. The State is financially accountable for these organizations since it appoints the voting majority of the boards and is able to impose its will on them through the ability to remove appointed members of the organization's governing board. Since these component units are fiduciary in nature, they are included only in the fund financial statements with the primary government's fiduciary funds. Therefore, these component units are excluded from the government-wide financial statements.

The *Public Employees' Retirement System* (PERS), the *Legislators' Retirement System* (LRS) and the *Judicial Retirement System* (JRS) are administered by a seven-member board appointed by the Governor. PERS is the administrator of a cost-sharing, multiple-employer, defined benefit public employees' retirement system established to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability. LRS is the administrator of a single-employer public employees' defined benefit retirement system established to provide a reasonable base income to Legislators at retirement. JRS is the administrator of an agent multiple-employer public employees' defined benefit retirement system established to provide a reasonable base income to justices of the Supreme Court, district judges, municipal court judges, and justices of the peace at retirement.

The *Retirement Benefits Investment Fund* (RBIF) was created for the sole purpose of providing an investment vehicle for monies belonging to either the State or local government other post employment benefit trust funds. RBIF is administered by the Retirement Benefits Investment Board, which consists of the same members as the Public Employees' Retirement Board.

Blended Component Unit: The *Nevada Real Property Corporation* (NRPC) is a legally separate organization. The State is financially accountable for NRPC since it appoints the board of directors, and NRPC provides a financial benefit to the State by providing financing services. NRPC was incorporated to finance certain construction projects which include office buildings, a transitional residential facility and a warehouse, all financed by the issuance of certificates of participation. Upon completion of construction, the NRPC leases the facilities to the State. Since the NRPC provides financing services solely to the State, these financial transactions are reported as part of the primary government using the blended method.

Discretely Presented Component Units: A component unit should be included in the reporting entity financial statements using the discrete presentation method if the component unit's governing body is not substantively the same as the governing body of the primary government, the component unit does not provide services entirely or almost entirely to the primary government, and the component unit's total debt outstanding is not expected to be repaid entirely or almost entirely

(Note 1 Continued)

with resources of the primary government. The following discretely presented component units meet these criteria and are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the State.

The *Nevada System of Higher Education* (NSHE) is a legally separate organization consisting of the institutions of public higher education in Nevada, the NSHE Administration entity, and their component units. NSHE is governed by a Board of Regents elected by the voters. NSHE is considered to be fiscally dependent on the primary government since the State can modify and approve their budgets. In addition, NSHE imposes a financial burden on the primary government since the State provides financial support to NSHE through annual operating and capital appropriations.

The *Colorado River Commission* (CRC) is a legally separate organization responsible for managing Nevada's interests in the water and power resources available from the Colorado River. It is governed by seven commissioners, a majority of whom are appointed by the State: four are appointed by the Governor and three are appointed by the board of directors of the Southern Nevada Water Authority. The State is financially accountable for CRC since bonds issued by the CRC are backed by the full faith and credit of the State of Nevada, which creates the potential for a financial burden to the State. CRC provides services to citizens through the distribution and sale of electric power.

The *Nevada Capital Investment Corporation (*NCIC) is a legally separate organization whose board of directors consists of the State Treasurer, who serves as the chair; five members that are appointed by the primary government; and the Chancellor of NSHE, or his designee. Up to five additional members of the board may be chosen who are direct investors of the corporation. The NCIC is an independent corporation for public benefit, the general purpose of which is to act as a limited partner, shareholder or member to provide private equity funding to businesses located in or seeking to locate in Nevada, and engage in certain industries. The amount invested in the NCIC is not to exceed $50 million from the State Permanent School Fund. The State is financially accountable for NCIC since it is able to impose its will through veto power by the State Treasurer.

Complete financial statements for each of the individual component units, with the exception of the *Nevada Real Property Corporation*, which has no other financial activity than that previously described, may be obtained at that organization's administrative offices:

Public Employees' Retirement System
Carson City, NV
Legislators' Retirement System
Carson City, NV
Judicial Retirement System
Carson City, NV
Retirement Benefits Investment Fund
Carson City, NV
Nevada System of Higher Education
Reno, NV
Colorado River Commission
Las Vegas, NV
Nevada Capital Investment Corporation
Carson City, NV

Related Organizations: The Governor is responsible for appointing the members of many boards and commissions. The State's accountability for these entities does not extend beyond making the appointments and thus these entities are excluded from this report. The State does not exercise financial or administrative control over the excluded boards and commissions.

C. Basis of Presentation

Government-wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. On the government-wide financial statements, the governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As discussed earlier, the State has three discretely presented component units which are shown in a single column in the government-wide financial statements.

In general, the effect of interfund activity has been removed from the government-wide financial statements. Overhead costs have been removed to minimize the double counting of internal activities, but interfund services provided and used have been retained, as their elimination would distort the measurement of the cost of individual functional activities. Internal activities of a reimbursement type nature reduce the expenses of the reimbursed programs. Certain centralized costs have been included as part of the program expenses reported for the various functions and activities. The net amount of interfund receivables and payables between governmental activities and business-type activities are reported as internal balances on the government-wide statement of net position. The net amount of transfers between governmental activities and business-type activities are reported as transfers on the government-wide statement of activities.

Fund Financial Statements: The fund financial statements provide information about the government's funds, including its fiduciary and blended component units. Separate financial

(Note 1 Continued)

statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The State reports the following major governmental funds:

General Fund – this is the State's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

State Highway Fund - accounts for the maintenance, regulation, and construction of public highways and is funded through vehicle fuel taxes, federal funds, and other charges.

Municipal Bond Bank Fund - accounts for revenues and expenditures associated with buying local governments' bonds with proceeds of State general obligation bonds.

Permanent School Fund - accounts for certain property and the proceeds derived from such property, escheated estates, and all fines collected under penal laws of the State, which become permanent assets of the fund. All earnings on the assets are to be used for education.

The State reports the following major enterprise funds:

Higher Education Tuition Trust Fund – accounts for the State program to assist Nevada residents in locking in the cost of future higher education expenses for Nevada colleges and universities. This program is financed through the sale of prepaid tuition contracts.

Housing Division Fund - accounts for the State program to assist private lenders in providing low interest housing loans to low- and moderate-income households. This program is financed through the sale of bonds.

Unemployment Compensation Fund - accounts for the payment of unemployment compensation benefits.

Water Projects Loans Fund - accounts for revenues and expenses associated with operating a revolving fund to finance local government pollution control projects, and with operating revolving and set-aside program funds to finance local public water systems' safe drinking water projects.

Additionally, the State reports the following fund types:

Internal Service Funds - provides goods or services primarily to other agencies or funds of the State rather than to the general public. These goods and services include accounting, communications, information technology, fleet services, personnel, printing, property management, purchasing and risk management. In the government-wide statements, internal service funds are included with governmental activities.

Pension and Other Employee Benefit Trust Funds - report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans and other post-employment benefit plans.

Investment Trust Funds - report resources received from local governments that are either pooled in an external investment portfolio for the benefit of all participants or separated into subaccounts of identified investments allocated to specific participating local governments. Examples include the Local Government Investment Pool, the Nevada Enhanced Savings Term and the Retirement Benefits Investment Fund.

Private Purpose Trust Funds - report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include the Prisoners' Personal Property and the Nevada College Savings Plan.

Agency Funds - report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples of funds in this category include state agency fund for bonds, motor vehicle, and child support disbursement.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual; that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State considers revenues to be available if they are collected within 60 days after year-end. Those revenues susceptible to accrual are gaming revenues, sales taxes, other taxes as described in

(Note 1 Continued)

Note 14, interest revenue and charges for services. Fines and permit revenues are not susceptible to accrual because they are generally not measurable until received in cash.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary, pension and other employee benefit trust, investment trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Pooled Investments - The State Treasurer manages a cash pool where all temporary surplus cash is invested. These investments are reported on the Statement of Net Position and Balance Sheet as cash and pooled investments. Earnings from these pooled investments are credited to the General Fund and certain other funds that have specific statutory authority to receive a prorated share based on daily cash balances. Also included in this category is cash held by departments as petty cash funds and in bank accounts, outside the Treasurer's cash management pool. The operations and investments of the cash pool are described in Note 3.

Cash and cash equivalents are defined as bank accounts, petty cash, money market demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are reported in the Statement of Cash Flows for proprietary fund types.

Investments - Investments are stated at fair value. Fair value is defined 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. Short-term investments are generally reported at cost, which approximates fair value, except for the short-term investments of the Nevada College Savings Plan that are valued at amortized cost, which approximates fair value. Securities, traded on a national or international exchange, are valued at the last reported sale price at current exchange rates. Fixed income securities are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is established by independent third party valuation firm in conjunction with Member Appraisal Institute (MAI) independent appraisals. Investments that do not have an established market are reported at estimated fair value.

The Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund are reported as investment trust funds. The investments of the Local Government Investment Pool and the Nevada Enhanced Savings Term Investment Trust are subject to the general limitations of NRS 355.170. The investments of the Retirement Benefits Investment Fund are governed by the prudent person standard, as set forth by NRS 286.682. Security transactions are accounted for on the trade date (the date the order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Realized gains and losses, if any, on sales of securities are calculated using the amortized cost basis at the date of sale. The fair value of the position in the pool is the same as the value of the pool shares. The Bank of New York Mellon is the custodian and transfer agent for the Local Government Investment Pool, the Nevada Enhanced Savings Term Investment Trust and the Retirement Benefits Investment Fund.

Derivatives are generally valued at quoted market value. Under the circumstance where quoted market values are not considered to be readily available, such derivatives are reported at estimated fair value and the methods and significant assumptions used are described in Note 3D. Investments are discussed further in Note 3.

Receivables - Receivables represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, a corresponding amount is recorded as revenue. In the governmental fund financial statements, the portions considered "available" (i.e., received by the State within approximately 60 days after year-end) are recorded as revenue; the remainder is recorded as deferred inflows of resources, unavailable revenue. Receivables in proprietary fund types have arisen in the ordinary course of business. All receivables are shown net of an allowance for uncollectible accounts. Significant receivable balances not expected to be collected within one year are presented in Note 4.

Interfund Transactions - The State has two types of interfund transactions:

1. Services rendered and employee benefit contributions are accounted for as revenues, expenditures/expenses in the funds involved.
2. Operating appropriations and subsidies are accounted for as transfers in the funds involved.

Due from/due to other funds and transfers are presented in Note 5.

(Note 1 Continued)

Inventories – In general, inventories in governmental funds are recorded as expenditures when purchased; however, certain inventories in the General Fund, the Highway Fund, and nonmajor governmental funds are recorded as expenditures at the time individual inventory items are consumed. Inventories are stated at cost on the first-in, first-out basis. Inventory items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

Prepaid Items – Prepaid items reflect payments for costs applicable to future accounting periods and are recorded in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Prepaid items in the governmental funds are offset by nonspendable fund balance to indicate that they will not be converted to cash.

Advances to Other Funds - Long-term interfund advances are recorded by the advancing fund as a receivable. These amounts are reported in the nonspendable fund balance in the General Fund to maintain the accountability and to disclose properly the amount available for appropriation. In other governmental funds this amount will be reported in restricted, committed, or assigned fund balances. Repayments are credited to the receivable and corresponding reductions are made in the appropriate fund balance. A summary of interfund advances is presented in Note 5.

Capital Assets and Depreciation - An inventory of State-owned land, buildings and equipment was developed in 1985. All capital assets are recorded in the Statement of Net Position at historical cost or estimated historical cost, based on acquisition of comparable property or agency records, if actual historical cost is not available. Donated capital assets are stated at acquisition value at time of donation. The government defines capital assets as assets with a unit cost of $5,000 or more for furniture and equipment, or $100,000 or more for buildings and improvements, and an estimated useful life in excess of one year. Interest incurred during construction is only capitalized in proprietary funds.

Most capital assets are depreciated principally on a straight-line basis over estimated useful lives of 40 years for structures and 3 to 30 years for improvements, furniture and equipment. The State's significant infrastructure assets utilize the modified approach in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

In the Nevada System of Higher Education, capital assets are defined as assets with an initial unit cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition. Collections are capitalized at the acquisition value at the date of donation. Depreciation is computed on a straight-line basis over estimated useful lives of 40 years for buildings, 10 to 15 years for land improvements and 3 to 18 years for library books, machinery and equipment. Additional disclosure related to capital assets is provided in Note 7.

Compensated Absences – A liability for compensated absences relating to services already rendered and that are not contingent on a specified event is accrued as employees earn the rights to the benefits. Compensated absences relating to future services or that are contingent on a specified event will be accounted for in the period those services are rendered or those events take place. Proprietary fund types report accrued compensated absences as liabilities in the appropriate funds. Governmental funds report a liability and expenditure for compensated absences only if the liability has matured as a result of employee resignations or retirements. Thus no expenditure would be recognized in governmental funds for the unpaid balance of compensated absences for employees still in active service at the end of the reporting period. On the Statement of Net Position, the accrued compensated absences for both proprietary and governmental fund types is reported.

Long-Term Obligations - In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term liabilities are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures. Long-Term Obligations are more fully described in Note 10.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. An example is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources, which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. An example is unavailable revenue, reported in the governmental funds balance sheet when revenue is measureable but not available.

(Note 1 Continued)

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position/Fund Balance - The difference between fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

In governmental fund financial statements, fund balances are classified based primarily on the extent to which the State is bound to observe constraints imposed upon the use of the resources in the fund as follows:

1. Nonspendable fund balance includes items that cannot be spent because they are either not in spendable form (such as inventories, prepaid amounts and the long-term portion of loans/notes receivables) or legally or contractually required to be maintained intact (such as the principal of a permanent fund).
2. Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Nevada Legislature, through legislation passed into law.
4. Assigned fund balance includes amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. Assignments of fund balance are created by the executive branch.
5. Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed for proper classification of fund balance. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. Balances in the Legislatively created funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved. Note 13 provides a disaggregation of governmental fund balances, nonspendable, restricted, committed, and unassigned.

Net Position/Fund Balance Flow Assumptions - The State's policy is to spend restricted amounts first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available. Therefore, restricted net position/fund balance is depleted before using unrestricted net position/fund balance. In governmental funds, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the assumed order of spending is first committed, assigned and then unassigned.

Minimum Fund Balance Policy - NRS 353.213(3) requires that the proposed budget for each fiscal year of the biennium provide for a reserve of not less than 5% or more than 10% of the total of all proposed appropriations from the State General Fund for the operation of all departments, institutions and agencies of the State and authorized expenditures from the State General Fund for the regulation of gaming for that fiscal year.

Stabilization Arrangement – NRS 353.288 provides for the Account to Stabilize the Operation of the State Government (Stabilization Account) in the State General Fund. Additions to the stabilization arrangement are triggered at the end of a fiscal year if the General Fund unrestricted fund balance (budgetary basis) exceeds 7% of General Fund operating appropriations. Forty percent of the excess is deposited to the Stabilization Account, and is classified on the balance sheet as committed for fiscal emergency. Expenditures may occur if actual revenues for the biennium fall short by 5% or more from anticipated revenues, if the Legislature and Governor declare that a fiscal emergency exists or if the Legislature allocates it to be used for any other purpose. The balance in the Stabilization Account committed for fiscal emergency at June 30, 2017 is $103,253,740.

Pensions – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS, LRS and JRS and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by PERS, LRS and JRS. 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.

F. Revenues and Expenditures/Expenses

Program Revenues - In the government-wide statement of activities, program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Property Taxes – Property taxes are recognized as revenues in the year for which they are levied. Property taxes are levied July 1 on property values assessed by the prior January 1. Property tax billings are payable in quarterly installments on the third Monday in August and the first Monday in October, January and March, after which time the bill is delinquent.

(Note 1 Continued)

Grants – The State participates in various federal award programs which are received in both cash and noncash forms. Grants and other entitlements are recognized as revenues when all eligibility requirements are met, including any time requirements, and the amount is received within 60 days after year-end. Federal reimbursement type grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received within 60 days after year-end. Certain grants have matching requirements in which the State must contribute a proportionate share of the total costs of a program. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Proprietary Funds Operating and Nonoperating Revenues and Expenses - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal, ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 2 - Budgetary and Legal Compliance

Budgetary Process and Control

The Governor must submit his proposed budget for the Executive Branch to the State Legislature not later than 14 calendar days before each regular session, which convenes every odd-numbered year. The presented budget spans the next two fiscal years and contains the detailed budgetary estimates of revenues and expenditures. The Legislature enacts the budget through passage of the General Appropriations Act, which allows expenditures from unrestricted revenues, and the Authorized Expenditures Act, which allows expenditures from revenues collected for specific purposes. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

The legal level of budgetary control, the level at which appropriations are approved and the level at which over-expenditure of appropriations or transfers of appropriated amounts may not occur without Legislative action, is at the total program level within each department or agency.

Limited budgetary revisions may be made without Legislative action through the following management/administrative procedures. After obtaining the approval of the Governor, or his designee, the Budget Director, Legislative Interim Finance Committee (LIFC) approval is required of those revisions in excess of $30,000 which have the effect, when taken into consideration with all other changes during the fiscal year, of increasing or decreasing any legislatively approved expenditure level by 10% or $75,000, whichever is less. Revisions not exceeding this threshold require only Budget Director approval. The LIFC approval is not equivalent to governing body approval, as total appropriations for a program may not be increased except as follows. The Legislature appropriates limited funds to the Contingency Account, in the General Fund, which may be allocated to programs by the LIFC upon recommendation of the Board of Examiners. Allocations totaling $46,520,241 were made in the 2017 fiscal year.

Unencumbered appropriations lapse at the end of each fiscal year unless specific authority to carry forward is granted in the Appropriations Act. Unexpended authorized resources, under the Authorized Expenditures Act, are carried forward for expenditure in the next fiscal period.

Budgets are legally adopted for the General Fund and Special Revenue Funds, except for the Nevada Real Property Corporation special revenue fund. In addition, certain activity within such funds may be unbudgeted. The State's budget is prepared principally on a modified accrual basis with the following exceptions:

1. Cash placed in petty cash funds or outside bank accounts is considered expended for budgetary purposes.
2. Advances to other funds are considered expenditures. Repayments of such advances are considered revenues.
3. Certain assets, such as prepaid items, are considered expended for budgetary purposes. Inventory is an expenditure for budgetary purposes. Certain unearned revenue is considered revenue for budgetary purposes.
4. Expenditures are only recognized if the liability is liquidated within 45 days after the fiscal year end.
5. Revenue from grants is only recognized when it is received in cash.
6. Encumbrances for goods or services not received by fiscal year-end are considered an expenditure of the current period if received and paid within 45 days.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

Note 3 - Deposits and Investments

The Nevada Revised Statutes (NRS) and Nevada Administrative Code, as well as procedures approved by the State Board of Finance, govern deposits and investing activities for the primary government and its discretely presented component units which are not expressly required by law to be received and kept by another party. NRS 226.110(3) further requires that the Office of the State Treasurer shall establish the policies to be followed in the investment of money of the State of Nevada.

A. Deposits

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits. As of June 30, 2017, the bank balance of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds totaled $1,025,895,855, of which $60,973,647 was uncollateralized and uninsured.

Component Units - Cash and cash equivalents of the Nevada System of Higher Education (NSHE) are stated at cost, which approximates market, and consist of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2017 NSHE's deposits in money market funds totaled $220,439,000 and cash in bank was $6,279,000. Of these balances, $250,000 are covered by the Federal Depository Insurance Corporation (FDIC); the remaining deposits are uncollateralized and uninsured.

B. Investments

NRS 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, municipal bonds, money market mutual funds whose policies meet the criteria set forth in the statute, United States treasury securities, and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements. The State's Permanent School Fund is further limited by statute as to the types of investments in which it may invest (NRS 355.060). Cash and Investments are also discussed in Note 1 under Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance.

The State Board of Finance reviews the State's investment policies at least every four months. The Board is comprised of the Governor, the State Controller, the State Treasurer and two members appointed by the governor, one of which must be actively engaged in commercial banking in the State.

Investments held in the Local Government Investment Pool (LGIP), Retirement Benefits Investment Fund (RBIF), and Nevada Enhanced Savings Term (NVEST) are specifically identifiable investment securities and are included in the following tables. LGIP, RBIF, and NVEST are investment trust funds and discussed further in Note 1, Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/ Fund Balance. LGIP and NVEST are governed by the Nevada State Board of Finance and administered by the Nevada State Treasurer. Complete financial statements for LGIP and NVEST may be obtained from the State Treasurer's Office, 101 N. Carson Street, Suite 4, Carson City, NV 89701. RBIF is administered by the Retirement Benefits Investment Board. The audited financial statements of RBIF may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90 day U.S. Treasury Bill's average over the previous three month period (Rolling 90 day T-Bill). Investment policies for the pension and other employee benefit trust funds authorize all securities within the Barclays Aggregate Index benchmark. If securities are purchased outside the Barclays U.S. Treasury Index, they must be of investment grade rating by at least two of the following: Moody's, Standard & Poor's or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's) except those issued or guaranteed by the U.S. Government or its agencies. The following table provides information about the interest rate risks associated with the State's investments as of June 30, 2017 (expressed in thousands):

(Note 3 Continued)

		Maturities in Years			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U. S. Treasury securities	$ 869,777	$ 173,720	$ 470,420	$ 192,470	$ 33,167
Negotiable certificate of deposit	612,264	612,089	175	-	-
U. S. agencies	11,699,325	875,089	6,865,628	2,118,205	1,840,403
Mutual funds	48,292	572	-	-	47,720
Repurchase agreements	231,000	231,000	-	-	-
Asset backed corporate securities	28,959	-	21,991	120	6,848
Corporate bonds and notes	377,865	185,778	171,231	11,013	9,843
Commercial paper	506,469	506,469	-	-	-
Fixed income securities	548	548	-	-	-
Municipal bonds	2,357	2,357	-	-	-
Investment agreements	9	-	-	-	9
Other short-term investments	312,823	312,823	-	-	-
Collateralized mortgage obligations	15,627	-	-	-	15,627
Other investments	3,922	3,000	4,945	-	(4,023)
Total	$ 14,709,237	$ 2,903,445	$ 7,534,390	$ 2,321,808	$ 1,949,594

The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to interest rate risk for the investments. The security portfolios held by Vanguard, USAA, Upromise, Putnam and Wealthfront have various maturities from 29 days to 13.6 years and are not included in the table above.

Component Units – The Nevada System of Higher Education's (NSHE) 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, NSHE is not the trustee of these investments and, therefore, currently has no policies with regard to interest rate risk for these investments. Investments having interest rate risk are principally invested in mutual funds and private commingled funds. The following table provides the segmented time distribution for these investments at June 30, 2017 (expressed in thousands):

Less than 1 year	$ 227,707
1 to 5 years	116,048
6 to 10 years	150,748
More than 10 years	-
Total	$ 494,503

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State of Nevada.

Primary Government, Private Purpose Trust, Pension and Other Employee Benefit Trust, and Investment Trust Funds - NRS 355.140, the State Treasurer's investment policy, and investment policies of the pension and other employee benefit trust and investment trust funds all address credit risk. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Bankers' Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

In addition to the above provisions, investment policies for the pension and other employee benefit trust funds allow investment in corporate bonds, assets related instruments, and foreign debt issued in the U.S. rated by at least two of the following: Moody's, Standard & Poor's, or Fitch (BBB- or better by Standard & Poor's/Fitch, Baa3 or better by Moody's). The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to credit risk for the investments. Investments having credit risk are included in the table below.

The State's investments as of June 30, 2017 were rated by Standard & Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value, expressed in thousands):

(Note 3 Continued)

	Quality Rating						
	AAA	AA	A	BBB	BB	B	Unrated
Negotiable certificate of deposit	$ -	$ 13,509	$ 220,870	$ -	$ -	$ -	$ 383,295
U.S. agencies	37,100	1,010,671	-	-	-	-	10,688,410
Mutual funds	35,434	-	-	-	-	-	20,208,855
Repurchase agreements	-	-	-	-	-	-	231,000
Asset backed corporate securities	16,052	423	1,446	461	398	507	16,793
Corporate bonds and notes	8,541	116,215	207,288	31,715	3,493	-	48,818
Commerical paper	-	-	381,891	-	-	-	126,120
Fixed Income	-	-	-	-	-	-	548
Municipal bonds	-	2,357	-	-	-	-	-
Investment agreements	-	-	-	9	-	-	9
Other short-term investments	122,805	-	124,430	-	298	-	529,084
Collateralized mortgage obligations	11,604	-	-	-	-	-	15,627
Other Investments	-	3,498	4,447	-	-	-	686,074
Total	$ 231,536	$ 1,146,673	$ 940,372	$ 32,185	$ 4,189	$ 507	$ 32,934,633

Component Unit – The NSHE'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, NSHE 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 NSHE operating and endowment investments at June 30, 2017 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	$ 520,193
Partnerships	47,932
Endowment cash/cash equivalents	1,528
Trust(s)	4,247
Private commingled funds	271,695
	845,595
Less: GBC Foundation Endowments	(6,592)
Total	$ 839,003

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio. At June 30, 2017, no individual investment exceeded 5% of the total portfolio of the Primary Government.

At June 30, 2017, the following investments exceeded 5% of the Higher Education Tuition Trust's total investments (expressed in thousands):

	Fair Value	Percentage
Federal Home Loan Mortgage Corp-Asset-Backed Mortgage Security	$ 15,422	6.15%

The Housing Division currently places no limit on the amount it may invest in any one issuer provided their ratings are in the highest two general rating categories. However, the Housing Division monitors rating changes on all issuers. If warranted, more concentrated investments may have to be diluted to alternative investment providers. As of June 30, 2017, the Housing Division's investments in Fannie Mae and Ginnie Mae are 3.48% and 32.31% respectively, of the Housing Division's total investments. The Fannie Mae and Ginnie Mae investments are in mortgage backed securities matched to the interest rate and maturity of the underlying bonds. Because such investments are matched to concomitant liabilities, the Housing Division is less concerned about a concentration risk on these investments.

Component Unit - The Nevada Capital Investment Corporation (NCIC) owns 99% equity interest in Silver State Opportunities Fund LLC (SSOF), a Nevada limited liability company, for the purpose of obtaining income. At June 30, 2017 the investment in equity interest of SSOF exceeded 5% of NCIC's total investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government, Pension and Other Employee Benefit Trust Funds, and Investment Trust Funds - The primary government does not have a policy regarding foreign currency risk; however, the State Treasurer's office does not have any deposits or investments in foreign currency. The PERS, LRS, JRS, and RBIF do have foreign currency policies for deposit and investments, which may be used for portfolio diversification and hedging. Highly speculative positions in currency are not permitted. LRS and JRS had no exposure to foreign currency risk as of June 30, 2017. The following table summarizes the pension and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2017 (expressed in thousands):

(Note 3 Continued)

	Currency by Investment and Fair Value			
	Equity	Pending Transactions	Cash	Total
Australian Dollar	$ 534,983	$ (400)	$ 1	$ 534,584
British Pound Sterling	1,343,129	100	2,444	1,345,673
Danish Krone	136,931	-	-	136,931
Euro	2,474,813	(900)	759	2,474,672
Hong Kong Dollar	244,749	-	310	245,059
Israeli Shekel	24,514	-	201	24,715
Japanese Yen	1,781,442	(3,900)	4,589	1,782,131
Norwegian Krone	12,929	-	103	13,032
Polish Zloty	46,111	-	403	46,514
Singapore Dollar	98,044	-	213	98,257
Swedish Krona	221,802	-	5	221,807
Swiss Franc	645,200	-	15	645,215
Total	$ 7,564,647	$ (5,100)	$ 9,043	$ 7,568,590

Private Purpose Trust Fund - The Nevada College Savings Plan, a private purpose trust, currently has no formal investment policy with regard to foreign currency risk for the investments. The Plan consists of Vanguard College Savings Plan, USAA College Savings Plan, Upromise College Fund Plan, Putnam for America Plan, and Wealthfront College Savings Plan which all state that there are certain inherent risks involved when investing in international securities through mutual funds that are not present with investments in domestic securities, such as foreign currency exchange rate fluctuations, adverse political and economic developments, natural disasters and possible prevention or delay of currency exchange due to foreign governmental laws or restrictions. The investments held in Putnam for America Plan consist of the portfolios managed and sponsored by Putnam Investment Management, Putnam Mutual Funds, and non-Putnam Mutual Funds. Both mutual funds pose no foreign currency risk. The following table summarizes foreign currency risk for the GAA portfolios in U.S. dollars as of June 30, 2017 (expressed in thousands):

	Currency at Fair Value
Australian Dollar	$ 1
Euro	3
Japenese Yen	16
New Taiwan Dollar	11
Swedish Krona	1
Swiss Franc	2
Total	$ 34

Component Unit - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has $189,524,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2017.

Fair Value of Investments: The State uses the market approach to determine the fair value of its investments. The State categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table summarizes the fair value measurements of the primary government as of June 30, 2017 (expressed in thousands):

(Note 3 Continued)

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
		Fair Value Measurements Using		
Investments by fair value level				
Debt securities				
U.S. Treasury securities	$ 622,000	$ 395,163	$ 226,837	$ -
Negotiable certificates of deposit	476,943	-	476,943	-
US agencies	822,609	25,011	797,598	-
Mutual funds	218,663	218,663	-	-
Corporate bonds & notes	197,180	14,352	182,828	-
Commercial paper	355,245	-	355,245	-
Muni bonds	2,357	-	2,357	-
Repurchase agreements	96,000	-	96,000	-
Collateralized mortgage obligations	117,906	106,981	10,925	-
Federal National Mortgage Association	23,383	16,778	6,605	-
Other Investments	109,896	103,372	6,524	-
Total investments by fair value level	$ 3,042,182	$ 880,320	$ 2,161,862	$ -

C. Securities Lending

Primary Government and Investment Trust Funds - NRS 355.135 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2017 (excluding PERS).

Public Employees' Retirement System (PERS) – PERS maintains a securities lending program under the authority of the "prudent person" standard of NRS 286.682. Securities loaned under this program consist of U.S. Treasury Obligations, corporate fixed income securities, international fixed income securities, equity securities, and international equity securities. Collateral received consists of cash and securities issued by the U.S. Government, its agencies or instrumentalities. Collateral received for the lending of U.S. securities must equal at least 102% of fair value, plus accrued interest in the case of fixed income securities. Collateral received for the lending of international securities must equal at least 105% of fair value, plus accrued interest in the case of fixed income securities.

At year-end, PERS has no credit risk exposure to borrowers because the associated value of the collateral held exceeds the value of the securities borrowed. PERS has no discretionary authority to sell or pledge collateral received or securities loaned. The contract with the securities lending agent requires the agent to indemnify PERS for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

PERS may only loan up to 33 1/3% of its total portfolio. Either PERS or the borrower can terminate all securities loans on demand. In September 2013 the Board elected to allow only overnight repurchase agreements collateralized by U.S. government obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities within the reinvestment portfolio. This action effectively eliminated risk in securities lending collateral reinvestment portfolio since securities issued or guaranteed by the U.S. Government are considered to be free of credit risk. The maturities of the investments made with cash collateral generally do not match the maturities of the securities loaned because securities lending transactions can be terminated at will.

The fair value of underlying securities on loan at June 30, 2017 is $5,022,445,189. Collateral received for outstanding securities lending arrangements consisted of cash in the amount of $377,917,975 and non-cash in the amount of $4,777,076,897. The cash collateral is reported on the Statement of Fiduciary Net Position as an asset with a related liability. At June 30, 2017, PERS has collateral consisting of cash and securities issued by the U.S. Government, its agencies or instrumentalities, in excess of the fair value of investments held by brokers/dealers under a securities lending agreement.

D. Derivatives

Primary Government – The Office of the State Treasurer's investment policies do not contain any specific language regarding derivatives other than prohibiting certain types of derivatives such as option contracts, futures contracts, and swaps in the General Portfolios and the Local Government Investment Pool effective June 2012 and November 2015 respectively. The primary government has no exposure to derivatives as of June 30, 2017.

(Note 3 Continued)

Private Purpose Trust Fund – Certain investments in the Nevada College Savings Plan are managed by Putnam Investment Management through Putnam sponsored portfolios (the Portfolios) and mutual funds. The Portfolios use six types of derivatives: options, futures contracts, forward currency contracts, total return swap contracts, interest rate swap contracts, and credit default contracts. Currently, there is no written investment policy with regard to derivatives for the Portfolios. All six types of derivatives are considered investments. The fair value amount in the table below represents the unrealized appreciation (depreciation) from derivative instruments and is reported in the Statement of Fiduciary Net Position. The net increase (decrease) in fair value is reported as investment income on the Statement of Changes in Fiduciary Net Position. The Portfolios' investment derivative instruments as of June 30, 2017, and changes in fair value for the year then ended are summarized in the following table (expressed in thousands):

	Contracts/ Notional Amounts	Fair Value	Change in Fair Value
Purchased Currency Option Contracts, gross	$ 5,479	$ 17	$ 7
Forward Currency Contracts, net	$ 53,174	(9)	(146)
CC Interest Rate Swap Contracts, gross	$ 7,445	(3)	31
OTC Total Return Swap Contracts, gross	$ 16,759	(220)	(211)
OTC Credit Default Contracts, gross	$ 4,924	(17)	18
CC Credit Default Contracts, gross	$ 11,038	66	(304)
Futures Contracts, gross	258	62	125
Written Currency Option Contracts, gross	$ 5,479	(6)	(6)
Total		$ (110)	$ (486)

The Portfolios use options contracts to manage duration and convexity, to isolate prepayment risk, to gain exposure to interest rates, to manage against changes in values of securities it owns, owned or expects to own to manage prepayment risk to generate additional income for the portfolio, to enhance returns on securities owned, to gain exposure to securities and to manage downside risks. The potential risk is that the change in value of options contracts may not correspond to the change in value of the managed instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchanged rates move unexpectedly or if the counterparty to the contract is unable to perform. Realized gains and losses on purchased options are included in realized gains and losses on investment securities. Exchange-traded options are valued at the last sale price.

The Portfolios use futures contracts to manage interest rate risk, gain exposure to interest rates, manage prepayment risk, equitize cash, and manage exposure to market risk. The potential risk is that the change in value of futures contracts may not correspond to the change in value of the managed instruments. In addition, losses may arise from changes in the value of the underlying instruments if there is an illiquid secondary market for the contracts, if interest or exchange rates move unexpectedly, or if the counterparty to the contract is unable to perform. Futures contracts are valued at the quoted daily settlement prices established by the exchange on which they trade. Risks may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios and the broker agree to exchange an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin."

The Portfolios buy and sell forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to manage foreign exchange risk and to gain exposure on currency. The contract is marked to market daily using current forward currency exchange rates supplied by a quotation service. The Portfolios may be exposed to risk if the value of currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the Portfolios are unable to enter into a closing position. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC total return swap contracts, which are arrangements to exchange a market linked return for a periodic payment, both based on a notional principal amount, to manage sector exposure, manage exposure to specific sectors or industries, manage exposure to specific securities, to gain exposure to basket of securities, to gain exposure to specific markets or countries. To the extent that the total return of the security, index or other financial measure underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Portfolios will receive a payment from or make a payment to the counterparty. OTC total return swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or

(Note 3 Continued)

the price of the underlying security or index, the possibility that there is no liquid market for these agreements or that the counterparty may default on its obligation to perform. The Portfolios' maximum risk of loss from counterparty risk is the fair value of the contract. This risk may be mitigated by having a master netting arrangement between the Portfolios and the counterparty. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared interest rate swap contracts to manage interest rate risk and to gain exposure on interest. OTC and centrally cleared interest rate swap contracts are marked to market daily based upon quotations from an independent pricing service or market makers. The Portfolios could be exposed to credit or market risk due to unfavorable changes in the fluctuation of interest rates or if the counterparty defaults, in the case of OTC interest rate contracts, or the central clearing agency or a clearing member defaults, in the case of centrally cleared interest rate swap contracts, on its respective obligation to perform. This risk may be mitigated for OTC interest rate swap contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared interest rate swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared interest rate swap contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position.

The Portfolios entered into OTC and/or centrally cleared credit default contracts to manage credit risk and market risk, and gain exposure on individual names and/or baskets of securities. In an OTC and centrally cleared credit default contracts, the protection buyer typically makes a periodic stream of payments to a counterparty, the protection seller, in exchange for the right to receive a contingent payment upon the occurrence of a credit event on the reference obligation or all other equally ranked obligations of the reference entity. Credit events are contract specific but may include bankruptcy, failure to pay, restructuring and obligation acceleration. The OTC and centrally cleared credit default contracts are marked to market daily based upon quotations from an independent pricing service or market makers. In addition to bearing the risk that the credit event will occur, the Portfolios could be exposed to market risk due to unfavorable changes in interest rates or in the price of the underlying security or index or the possibility that it may be unable to close out its position at the same time or at the same price as if it had purchased the underlying reference obligations. In certain circumstances, the Portfolios may enter into offsetting OTC and centrally cleared credit default contracts which could mitigate their risk of loss. Risk of loss may exceed amounts recognized on the Statement of Fiduciary Net Position. The Portfolios' maximum risk of loss from counterparty risk, either as the protection seller or as the protection buyer, is the fair value of the contract. This risk may be mitigated for OTC credit default contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared credit default contracts through the daily exchange of the variation margin. Counterparty risk is further mitigated with respect to centrally cleared credit default contracts due to the clearinghouse guarantee fund and other resources that are available in the event of a clearing member default. Where the Portfolios are a seller of protection, the maximum potential amount of future payments it may be required to make is equal to the notional amount.

Derivative instruments held by the Portfolios were not individually rated by a ratings agency for the reporting period. As of June 30, 2017, OTC derivative counterparties had ratings that were either greater than or equivalent to long-term ratings of Baa1/BBB and short-term ratings of P-2/A-2. Centrally cleared contracts are not considered brokered contracts and have mitigated risks. With futures, there is minimal counterparty credit risk to the Portfolios since futures are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures, guarantees the futures against default.

Derivative instruments are subject to interest rate risk. Prices of longer term maturities generally change more in response to interest rate changes than the prices of shorter term maturities. The following table provides information about the interest rate risks associated with the types of investment derivative instruments as of June 30, 2017 (expressed in thousands):

	Maturities in Years				
	Less than 1	1-5	6-10	Greater than 10	Total
Purchased Currency Options	$ 17	$ -	$ -	$ -	$ 17
Forward Currency Contracts	(9)	-	-	-	(9)
CC Interest Rate Swap Contracts	-	(8)	(7)	12	(3)
OTC Total Return Swap Contracts	(220)	-	-	-	(220)
OTC Credit Default Contracts	-	-	-	(17)	(17)
CC Credit Default Contracts	-	66	-	-	66
Futures Contracts	62	-	-	-	62
Written Currency Options	(6)	-	-	-	(6)
Total	$ (156)	$ 58	$ (7)	$ (5)	$ (110)

(Note 3 Continued)

Forward currency contracts are subject to foreign currency risk. The following table provides information about the forward currency contracts as of June 30, 2017 (expressed in thousands):

	Fair Value
Australian Dollar	$ (3)
Brazilian Real	(29)
British Pound	(10)
Canadian Dollar	40
Chilean Peso	6
Czech Koruna	(6)
Danish Krone	1
Euro	24
Indian Rupee	(2)
Japanese Yen	5
Mexican Peso	(7)
New Zealand Dollar	(45)
Norwegian Krone	(24)
Singapore Dollar	(5)
South African Rand	(10)
Swedish Krona	46
Swiss Franc	10
Total	$ (9)

The audited financial statements of Putnam 529 for America may be obtained from Putnam Investment Management, One Post Office Square, Boston, MA 02109.

Note 4 - Receivables

Receivable balances are disaggregated by type and presented separately in the financial statements. Significant receivable balances not expected to be collected within one year and not already classified in the fund financials are presented below (expressed in thousands):

	Major Governmental Funds			
	General	Municipal Bond Bank	Permanent School Fund	Total Governmental
As shown on financial statements:				
Intergovernmental receivables	$ 435,524	$ -	$ 602	$ 436,126
Notes/loans receivable	14,740	89,700	-	104,440
Due from Component Unit	181	-	37,124	37,305
Total	$ 450,445	$ 89,700	$ 37,726	$ 577,871
Classified:				
Current portion	$ 425,853	$ 4,190	$ 602	$ 430,645
Noncurrent portion:				
Intergovernmental receivables	10,636	-	-	10,636
Notes/loans receivable	13,956	85,510	-	99,466
Due from Component Unit	-	-	37,124	37,124
Total noncurrent portion	24,592	85,510	37,124	147,226
Total	$ 450,445	$ 89,700	$ 37,726	$ 577,871

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at $28.4 million, and uncollectible accounts receivable are estimated at $147.1 million. The proprietary funds have $35.9 million in uncollectible accounts receivable of which $8.6 million are from uninsured employers' fines and penalties, and $9.1 million are from unemployment contributions and benefit overpayments.

Note 5 - Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2017, follows (expressed in thousands):

	Advances From			
Advances To	**General**	**State Highway**	**Nonmajor Governmental**	**Total**
Nonmajor enterprise	$ 186	$ -	$ -	$ 186
Internal service	4,161	3,793	452	8,406
Total other funds	$ 4,347	$ 3,793	$ 452	$ 8,592

Interfund advances are the portions of interfund balances that are *not* expected to be repaid within one year. The interfund balances that are expected to be repaid within one year are shown in the Due From/Due To summary below.

Advances are generally made to finance capital expenditures or as a loan for operating purposes.

B. Due From/Due To Other Funds and Component Units

A summary of due from and due to other funds and component units at June 30, 2017, is shown below (expressed in thousands):

	Due To				
	Major Governmental Funds				
Due From	**General**	**State Highway**	**Permanent School**	**Nonmajor Governmental**	**Total Governmental**
Major Governmental Funds:					
General	$ -	$ 19,851	$ 53	$ 81,775	$ 101,679
State Highway	1,755	-	-	145	1,900
Municipal Bond Bank	3	-	-	-	3
Permanent School Fund	5,446	-	-	-	5,446
Nonmajor governmental	19,116	4,536	-	8,904	32,556
Total Governmental	26,320	24,387	53	90,824	141,584
Major Enterprise Funds:					
Housing Division	125	-	-	-	125
Unemployment Comp	-	-	-	191	191
Water Projects Loans	244	-	-	-	244
Higher Ed Tuition Trust	32	-	-	-	32
Nonmajor enterprise	1,843	3	-	-	1,846
Total Enterprise	2,244	3	-	191	2,438
Internal Service	1,016	254	-	162	1,432
Total other funds	$ 29,580	$ 24,644	$ 53	$ 91,177	$ 145,454
Fiduciary	$ 684	$ -	$ -	$ 1,153	$ 1,837
Component Units:					
Colorado River Commission	$ -	$ -	$ -	$ -	$ -
Nevada System of Higher Education	181	-	-	192	373
Nevada Capital Investment Corporation	-	-	37,124	-	37,124
Total Component Units	$ 181	$ -	$ 37,124	$ 192	$ 37,497

(Note 5 Continued)

	Due To								
	Major Enterprise Funds								
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Ed Tuition Trust	Nonmajor Enterprise	Total Enterprise	Internal Service	Total Other Funds	Fiduciary
Due From									
Major Governmental Funds:									
General	$ 15	$ -	$ 449	$ 18	$ 1,467	$ 1,949	$ 6,887	$ 110,515	$ 595,882
State Highway	-	-	-	-	25	25	1,150	3,075	560
Municipal Bond Bank	-	-	-	-	-	-	-	3	-
Permanent School Fund	-	-	-	-	-	-	-	5,446	-
Nonmajor governmental	-	523	-	-	47	570	244	33,370	11
Total Governmental	15	523	449	18	1,539	2,544	8,281	152,409	596,453
Major Enterprise Funds:									
Housing Division	-	-	-	-	1	1	6	132	-
Unemployment Comp	-	-	-	-	-	-	-	191	-
Water Projects Loans	-	-	-	-	-	-	1	245	-
Higher Ed Tuition Trust	-	-	-	-	-	-	1	33	-
Nonmajor enterprise	-	-	-	-	-	-	109	1,955	52
Total Enterprise	-	-	-	-	1	1	117	2,556	52
Internal Service	-	-	-	-	34	34	252	1,718	14
Total other funds	$ 15	$ 523	$ 449	$ 18	$ 1,574	$ 2,579	$ 8,650	$ 156,683	$ 596,519
Fiduciary	$ -	$ -	$ -	$ -	$ 6	$ 6	$ 4,960	$ 6,803	$ 48,731
Component Units:									
Colorado River Commission	$ -	$ -	$ -	$ -	$ -	$ -	$ 7	$ 7	$ -
Nevada System of Higher Education	-	-	-	-	-	-	2,013	2,386	1,371
Nevada Capital Investment Corporation	-	-	-	-	-	-	-	37,124	-
Total Component Units	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,020	$ 39,517	$ 1,371

	Due To		
	Component Units		
	Colorado River Commission	Nevada System of Higher Education	Total Component Units
Due From			
Major Governmental Funds:			
General	$ 96	$ 15,123	$ 15,219
State Highway	-	408	408
Nonmajor governmental	-	18,204	18,204
Total Governmental Funds	96	33,735	33,831
Major Enterprise Fund:			
Higher Ed Tuition Trust	-	1	1
Total Enterprise	-	1	1
Internal Service	-	12	12
Total	$ 96	$ 33,748	$ 33,844

The balances result primarily from timing differences between the date goods and services are provided or reimbursable expenses occur, and the date the transactions are recorded in the accounting system and payment is made.

(Note 5 Continued)

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2017, is shown below (expressed in thousands):

	Transfers Out/To					
	Major Governmental Funds					
Transfers In/From	General	State Highway	Municipal Bond Bank	Permanent School	Nonmajor Governmental	Total Governmental
Major Governmental Funds:						
General	$ -	$ 8,766	$ 3	$ 6,836	$ 65,774	$ 81,379
State Highway	10,264	-	-	-	4,201	14,465
Nonmajor governmental	81,773	4,155	8,048	-	32,358	126,334
Total Governmental	92,037	12,921	8,051	6,836	102,333	222,178
Major Enterprise Funds:						
Housing	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	164,581	164,581
Higher Ed Tuition Trust	627	-	-	-	-	627
Nonmajor enterprise	1	-	-	-	-	1
Total Enterprise	628	-	-	-	164,581	165,209
Internal Service	1,920	-	-	-	11	1,931
Total other funds	$ 94,585	$ 12,921	$ 8,051	$ 6,836	$ 266,925	$ 389,318

	Transfers Out/To					
	Major Enterprise Fund					
Transfers In/From	Housing Division	Unemployment Compensation	Water Projects Loans	Nonmajor Enterprise	Total Enterprise	Total Other Funds
Major Governmental Funds:						
General	$ 95	$ -	$ 1,935	$ 12,834	$ 14,864	$ 96,243
State Highway	-	-	-	-	-	14,465
Nonmajor governmental	-	3,444	-	-	3,444	129,778
Total Governmental	95	3,444	1,935	12,834	18,308	240,486
Major Enterprise Funds:						
Housing	-	-	-	-	-	-
Unemployment Comp	-	-	-	-	-	164,581
Higher Ed Tuition Trust	-	-	-	-	-	627
Nonmajor enterprise	-	-	-	11	11	12
Total Enterprise	-	-	-	11	11	165,220
Internal Service	-	-	-	-	-	1,931
Total other funds	$ 95	$ 3,444	$ 1,935	$ 12,845	$ 18,319	$ 407,637

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, and to move monies collected for debt service purposes to the debt service fund required to make the payment.

Note 6 - Restricted Assets

Various debt service, operation and maintenance, capital improvement and construction (acquisition) funding requirements of bond covenants, and trust indentures are recorded as restricted assets on the Statement of Net Position. The components of restricted assets at June 30, 2017 are as follows (expressed in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Restricted:			
Cash	$ 2,365	$ -	$ 73,659
Investments	-	184,114	10,063
Total	$ 2,365	$ 184,114	$ 83,722
Restricted for:			
Debt service	$ -	$ 184,114	$ 5,706
Construction	-	-	66,365
Regulation of business	2,365	-	-
Other purposes	-	-	11,651
Total	$ 2,365	$ 184,114	$ 83,722

Note 7 - Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 151,984	$ 2,117	$ -	$ 154,101
Construction in progress	224,702	72,842	(167,535)	130,009
Infrastructure	4,591,400	30,607	-	4,622,007
Rights-of-way	654,990	50,368	-	705,358
Total capital assets, not being depreciated	5,623,076	155,934	(167,535)	5,611,475
Capital assets, being depreciated/amortized				
Buildings	1,734,800	56,401	-	1,791,201
Improvements other than buildings	128,598	2,938	-	131,536
Furniture and equipment	430,608	30,043	(13,935)	446,716
Software costs	187,101	105,226	(260)	292,067
Total capital assets, being depreciated/amortized	2,481,107	194,608	(14,195)	2,661,520
Less accumulated depreciation/amortization for:				
Buildings	(634,306)	(44,087)	-	(678,393)
Improvements other than buildings	(89,686)	(3,575)	-	(93,261)
Furniture and equipment	(347,296)	(24,175)	12,848	(358,623)
Software costs	(165,019)	(3,970)	260	(168,729)
Total accumulated depreciation/amortization	(1,236,307)	(75,807)	13,108	(1,299,006)
Total capital assets, being depreciated/amortized, net	1,244,800	118,801	(1,087)	1,362,514
Governmental activities capital assets, net	$ 6,867,876	$ 274,735	$ (168,622)	$ 6,973,989
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 568	$ -	$ -	$ 568
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	568	-	-	568
Capital assets, being depreciated				
Buildings	3,389	-	-	3,389
Improvements other than buildings	3,656	-	-	3,656
Furniture and equipment	14,633	2,433	(288)	16,778
Total capital assets, being depreciated	21,678	2,433	(288)	23,823
Less accumulated depreciation for:				
Buildings	(3,034)	(54)	-	(3,088)
Improvements other than buildings	(572)	(75)	-	(647)
Furniture and equipment	(5,789)	(443)	288	(5,944)
Total accumulated depreciation	(9,395)	(572)	288	(9,679)
Total capital assets, being depreciated, net	12,283	1,861	-	14,144
Business-type activities capital assets, net	$ 12,851	$ 1,861	$ -	$ 14,712

(Note 7 Continued)

Included in the table above are three Department of Corrections facilities that have been closed and the Kinkead Building located in Carson City. These assets are idle, with a carrying value of $10.0 million.

Current period depreciation and amortization expense was charged to functions of the primary government as follows (expressed in thousands):

Governmental activities:		
General government	$	4,525
Education, support services		825
Health services		1,218
Law, justice, public safety		34,711
Recreation, resource development		5,646
Social services		8,224
Transportation		10,371
Regulation of business		2,456
Unallocated		2,672
Depreciation and amortization on capital assets held by the State's internal service funds is charged to the various functions based on their use of the assets		5,159
Total depreciation/amortization expense - governmental activities	$	75,807
Business-type activities:		
Enterprise	$	572
Total depreciation expense - business-type activities	$	572

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2017, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Nevada System of Higher Education:				
Capital assets, not being depreciated				
Construction in progress	$ 139,735	$ 121,224	$ (167,224)	$ 93,735
Land	151,230	1,355	-	152,585
Land improvements	1,835	-	(1,547)	288
Intangibles	-	642	-	642
Collections	11,502	283	(10)	11,775
Total capital assets, not being depreciated	304,302	123,504	(168,781)	259,025
Capital assets, being depreciated				
Buildings	2,551,539	181,362	(171)	2,732,730
Land and improvements	141,143	15,897	(964)	156,076
Machinery and equipment	364,450	21,033	(11,741)	373,742
Intangibles	42,959	1,721	-	44,680
Library books and media	120,804	2,266	(853)	122,217
Total capital assets, being depreciated	3,220,895	222,279	(13,729)	3,429,445
Less accumulated depreciation for:				
Buildings	(877,705)	(65,243)	1,657	(941,291)
Land and improvements	(100,438)	(6,191)	(684)	(107,313)
Machinery and equipment	(268,752)	(24,593)	11,151	(282,194)
Intangibles	(25,453)	(4,472)	-	(29,925)
Library books and media	(115,248)	(2,521)	864	(116,905)
Total accumulated depreciation	(1,387,596)	(103,020)	12,988	(1,477,628)
Total capital assets, being depreciated, net	1,833,299	119,259	(741)	1,951,817
Nevada System of Higher Education activity capital assets, net	$ 2,137,601	$ 242,763	$ (169,522)	$ 2,210,842

Note 8 - Capital Lease Receivable

The State, as lessor, entered into a lease purchase agreement in fiscal year 2014 with the Nevada System of Higher Education (NSHE), a discretely presented component unit, as lessee. The agreement is to finance a building construction project at the Nevada State College. Construction was completed in fiscal year 2016. At the end of the lease, title to the buildings transfers to the NSHE. Construction was financed by Lease Revenue Certificates of Participation Series 2013 at 4.0-5.0% interest. Proceeds from the certificates of participation were used to pay the capitalized interest during the construction period, and NSHE has begun making capital lease principal and interest payments starting in fiscal year 2017.

The future minimum lease payments receivable for capital leases are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities
2018	$ 3,380
2019	3,381
2020	3,383
2021	3,383
2022	3,381
2023-2043	71,021
Total future minimum lease revenues	$ 87,929

Note 9 - Short-Term Obligations

Primary Government - On August 30, 2016, the State issued short-term bonds of $1,023,500 for the Q1 program to provide property acquisition, facility development and renovation, or wildlife habitat improvements by the Division of Wildlife. These bonds were paid off on June 1, 2017. There was no short-term debt outstanding at July 1, 2016 or June 30, 2017.

Note 10 - Long-Term Obligations

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term obligations of the primary government for the fiscal year ended June 30, 2017 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,358,430	$ 48,790	$ (123,048)	$ 1,284,172	$ 105,532
Special obligation bonds	587,095	167,665	(48,595)	706,165	46,985
Subtotal	1,945,525	216,455	(171,643)	1,990,337	152,517
Issuance premiums (discounts)	221,726	24,749	(36,092)	210,383	34,850
Total bonds payable	2,167,251	241,204	(207,735)	2,200,720	187,367
Certificates of participation	89,225	3,730	(7,961)	84,994	4,165
Issuance premiums (discounts)	1,491	-	(443)	1,048	402
Total certificates of participation	90,716	3,730	(8,404)	86,042	4,567
Other Governmental long-term activities:					
Obligations under capital leases	20,177	-	(2,814)	17,363	2,382
Compensated absences obligations	92,015	87,842	(83,237)	96,620	64,957
Pollution remediation obligations	-	2,525	-	2,525	285
Total other governmental long-term activities	112,192	90,367	(86,051)	116,508	67,624
Governmental activities long-term obligations	$ 2,370,159	$ 335,301	$ (302,190)	$ 2,403,270	$ 259,558
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 69,480	$ -	$ (9,377)	$ 60,103	$ 9,623
Special obligation bonds	823,288	74,213	(255,671)	641,830	132,939
Subtotal	892,768	74,213	(265,048)	701,933	142,562
Issuance premiums (discounts)	15,688	-	(10,186)	5,502	3,718
Total bonds payable	908,456	74,213	(275,234)	707,435	146,280
Compensated absences obligations	1,698	1,509	(1,485)	1,722	1,179
Arbitrage rebate liability	972	103	-	1,075	1,075
Tuition benefits payable	211,119	13,904	(3,924)	221,099	19,161
Business-type activities long-term obligations	$ 1,122,245	$ 89,729	$ (280,643)	$ 931,331	$ 167,695

The General Fund and special revenue funds typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the General Fund and State Highway Fund incurring the related salaries and wages costs. The debt service funds typically liquidate the arbitrage obligations.

B. Bonds Payable

The State issues general obligation bonds for the acquisition, construction and improvement of major capital facilities; buying local governments' bonds in the municipal bond bank fund; loans to municipalities for water projects; protection of natural resources; cultural affairs projects; the construction, reconstruction, improvement and maintenance of highways; and for refunding purposes. General obligation bonds are direct obligations and pledge the full faith and credit of the State.

Special obligation highway improvement revenue bonds provide funds for property acquisition and construction of highway projects. Special obligation unemployment compensation bonds are to repay the Federal Unemployment Advance as benefits paid significantly exceeded employer assessments during the national economic downturn. Special obligation housing bonds in the aggregate have a debt limit of $5 billion and are used for housing loans or to purchase mortgage loans having both fixed and variable interest rates. Special obligation bonds are payable solely from gross pledged revenues and are not general obligations of the State.

(Note 10 Continued)

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2017 are comprised of the following (expressed in thousands):

	Interest Rates	Original Amount	Principal Outstanding
Governmental activities:			
General obligation bonds:			
Subject to Constitutional Debt Limitation	1.754-6.17%	$ 1,706,830	$ 1,032,710
Exempt from Constitutional Debt Limitation	2.0-5.5%	630,937	251,462
Special obligation bonds:			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.0-5.0%	873,990	706,165
Subtotal		3,211,757	1,990,337
Issuance premiums (discounts)		361,425	210,383
Governmental activities bonds payable		3,573,182	2,200,720
Business-type activities:			
General obligation bonds:			
Exempt from Constitutional Debt Limitation	1.75-5.5%	93,372	60,103
Special obligation bonds:			
Unemployment Compensation Bonds	5.0%	548,900	128,045
Housing Bonds	*.50-6.95%	785,634	513,785
Subtotal		1,427,906	701,933
Issuance premiums (discounts)		67,110	5,502
Business-type activities bonds payable		1,495,016	707,435
Total bonds payable		$ 5,068,198	$ 2,908,155

*Many Housing bonds have variable rates of interest. The tax exempt bonds track the SIFMA Index while the federally taxable debt tracks the one-month LIBOR Index.

Debt service requirements (principal and interest) for all long-term bonds and notes outstanding at June 30, 2017, of the primary government are summarized in the table following (expressed in thousands):

Year Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2018	$ 152,517	$ 91,099	$ 142,562	$ 20,169
2019	144,603	84,398	32,103	15,021
2020	154,126	77,646	15,277	14,245
2021	160,588	69,733	14,450	13,584
2022	148,583	61,940	10,277	13,278
2023-2027	716,557	200,964	67,094	58,366
2028-2032	360,028	63,699	67,983	47,612
2033-2037	151,775	9,940	171,611	31,307
2038-2042	1,560	57	115,667	16,934
2043-2047	-	-	17,786	10,106
2048-2052	-	-	47,123	2,318
Total	$ 1,990,337	$ 659,476	$ 701,933	$ 242,940

C. Constitutional Debt Limitations

Section 3, Article 9, of the State Constitution (as amended) limits the aggregate principal amount of the State's public debt to two percent (2%) of the assessed valuation of the State. Exempt from this limitation are debts authorized by the Legislature that are incurred for the protection and preservation of, or for obtaining the benefits of, any property or natural resources within the State. At June 30, 2017, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	$ 2,294,555
Less : Bonds and leases payable as of June 30, 2017, subject to limitation	(1,034,015)
Remaining debt capacity	$ 1,260,540

(Note 10 Continued)

D. Nevada Municipal Bond Bank

General obligation bonds have been issued through the Nevada Municipal Bond Bank, a special revenue fund, as authorized by NRS 350A. These bonds are subject to statutory limitation of $1.8 billion and are exempt from the Constitutional Debt Limitation. Proceeds from the bonds are used to purchase validly issued general obligation bonds of the State's local governments to finance projects related to natural resources. The State anticipates that the debt service revenue it receives from the participating local governments will be sufficient to pay the debt service requirements of the State bonds as they become due. Eleven projects were funded through the Nevada Municipal Bond Bank as of June 30, 2017, and total outstanding loans to local governments amounted to $89,700,000.

E. Refunded Debt and Redemptions

During the fiscal year 2017, the State of Nevada refunded $13,505,000 in general obligation, limited tax, bonds related to natural resources by issuing refunding bonds with a total par amount of $12,265,000 at a $2,589,511 premium. In addition, the Nevada Real Property Corporation repaid $3,995,000 Certificates of Participation, by issuing refunding certificates with a total par amount of $3,730,000. Proceeds from refunding bonds and certificates were used to refund certain outstanding State debt to realize debt service savings. The refunding decreased the aggregate debt service payments by $2,502,688 with an economic or present value gain of $1,973,793. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of $1,146,083. This amount is being reported as a deferred outflow of resources and amortized as an adjustment to interest expense over the life of the refunded debt or the refunding debt, whichever is shorter. The impact of the refunding issues is presented in the following table (expressed in thousands):

Issue Description:	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
General obligation bonds:				
Natural Resources and Refunding Bonds Series 2016D	$ 14,697	$ 13,505	$ 1,823	$ 1,533
Certificates of Participation:				
Lease Revenue Refunding Legislative Counsel Bureau Project Series 2016A	4,071	3,995	680	441
Total	$ 18,768	$ 17,500	$ 2,503	$ 1,974

In current and prior years, the State defeased certain general obligations and other bonds by placing the proceeds of new bonds and other monies in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. The total outstanding amount of defeased issues at June 30, 2017 is $556,459,811.

F. Capital Leases

The State has entered into various agreements for the lease of equipment and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2017 include building improvements of $27,810,128 with accumulated depreciation of $7,098,953.

For all capital leases of the primary government, the gross minimum lease payments and the present value of the net minimum lease payments as of June 30, 2017 follow (expressed in thousands):

Year Ending June 30	Governmental Activities
2018	$ 3,157
2019	3,241
2020	3,069
2021	3,035
2022	2,694
2023-2025	5,226
Total minimum lease payments	20,422
Less: amount representing interest	(3,059)
Obligations under capital leases	$ 17,363

(Note 10 Continued)

G. Certificates of Participation

In fiscal year 2010, the NRPC, a blended component unit, issued $7,900,000 of General Obligation Certificates of Participation series 2009 at 5.0-5.125% interest to prepay the remaining outstanding balance of the 1999 issue of the Nevada Real Property Corporation. The original 1999 issue of $15,000,000 was to finance the acquisition, construction, installation and equipping of a secured juvenile treatment facility. The 2009 issue is a direct general obligation of the State to which the full faith and credit of the State is pledged. The State is required to make payments from general (ad valorem) taxes in the Consolidated Bond Interest and Redemption debt service fund that approximate the interest and principal payments made by trustees to certificate holders.

In fiscal year 2014, the NRPC issued $35,785,000 of Lease Revenue Refunding Certificates of Participation Series 2013 at 3.0-5.0% interest to refund the outstanding balances of Lease Revenue Certificates of Participation Series 2004 and 2004B, which were to finance the acquisition and construction of the State's Capitol Complex Building 1 and Casa Grande Projects respectively.

In fiscal year 2014, the NRPC issued $50,445,000 of new Lease Revenue Certificates of Participation Series 2013 at 4.0-5.0% interest to finance the State's Nevada State College Project. The Project is leased to the Nevada System of Higher Education (NSHE), the State's discretely presented component unit. Meanwhile, the NRPC entered into a Ground Lease with respect to the real property on which the Project is located.

In fiscal year 2017, the NRPC issued $3,730,000 of Lease Revenue Refunding Certificates of Participation Series 2016A at 2.22% interest to refund the outstanding balances of Lease Revenue Certificate of Participation Series 2006 which were to finance the design and construction of a warehouse addition to the Legislative Counsel Bureau's existing State Printing Office building in Carson City and resurfacing of the exterior of the existing building, together with related improvements on the premises.

Under the lease revenue certificates of participation financing arrangements, the certificates are not general obligations of the State and are not backed by the faith and credit or the taxing power of the State. The State's obligation to pay base rent and make other payments to the trustee under the financing leases is subject to appropriation by the State. In the event that the State does not make a sufficient appropriation with respect to a Lease Purchase Agreement, that Lease Purchase Agreement will terminate.

The following schedule presents future certificates of participation payments as of June 30, 2017 (expressed in thousands):

Year Ending June 30	Principal	Interest
2018	$ 4,165	$ 3,872
2019	3,042	3,722
2020	3,239	3,597
2021	3,376	3,463
2022	3,517	3,313
2023-2027	19,780	13,918
2028-2032	19,665	9,362
2033-2037	11,035	5,875
2038-2042	13,955	2,959
2043	3,220	161
Total	$ 84,994	$ 50,242

H. Tuition Benefits Payable

The Higher Education Tuition Trust Fund, an enterprise fund, reports benefits payable as shown in Section A based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts as follows (expressed in thousands):

APV of the future tuition obligation	$221,099
Net position available	298,836
Net position as a percentage of tuition benefits obligation	135.16%

The actuarial valuation used an investment yield assumption of 5.00% per year and tuition growth assumptions as follows:

	Universities	Community Colleges
2018-19	4.00%	4.00%
2019-20 and later	4.75%	4.00%

I. Arbitrage Rebate Requirement

The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) must be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. In accordance with the Internal Revenue Service Regulations, arbitrage rebate liability has been calculated as of June 30, 2017, and changes for the fiscal year then ended are presented in Section A of this note.

(Note 10 Continued)

J. Conduit Debt Obligations

The State has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. During the 2013 session, the Nevada Legislature enacted the Charter School Financing Law, which authorizes the issuance of Charter School Bonds and other obligations to finance the acquisition, construction, improvement, maintenance or furnishing of land, buildings and facilities for Charter Schools in the State of Nevada. The above two types of bonds are secured by the properties financed and are payable solely from payments received on the underlying mortgage loans. The State is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2017, there are four series of Industrial Revenue Bonds and one series of Charter School Bonds outstanding, with an aggregate principal amount payable of $634,135,507.

K. Pledged Revenue

Pledged motor vehicle and special fuel tax - The State has pledged a portion of future motor vehicle fuel and special fuel tax revenues as well as federal aid for eligible projects to repay the Highway Improvement Revenue Bonds that were issued for highway construction projects and property acquisition purposes. As of June 30, 2017, the outstanding balance of Highway Improvement Revenue and Refunding bonds is $706,165,000. The total of principal and interest remaining on the bonds is $982,999,025 payable through December 2034. Upon completion of eligible projects, federal aid of $343,436,484 is expected to be received in fiscal year 2018. For the current year, principal and interest paid was $79,919,601 and total motor vehicle fuel and special fuel tax revenues were $297,091,246.

Pledged future lease rental payments – With respect to each series of Lease Revenue Certificates of Participation, the NRPC, a blended component unit, has pledged its rights, title and interest in the applicable Ground Lease and Lease Purchase Agreement to the Trustee (including the right to receive payments of base rent and other payments). As of June 30, 2017, the outstanding balance of Lease Revenue Certificates of Participation is $83,689,000. The total of principal and interest remaining on the certificates is $133,898,470 payable through June 2043. In fiscal year 2017, principal and interest of $6,635,671 was paid, which includes the interest payment of $1,216,388 paid entirely by the excess certificate proceeds for the State's Nevada State College Project as discussed in Section G of this note and Note 8. Building rent of $7,000,000 is expected to be collected in fiscal year 2018, which will be used to pay the fiscal year 2018 debt service principal and interest of $6,669,207.

Pledged additional assessments of unemployment contributions - The State has pledged additional assessments on unemployment contributions (special bond contributions), the proceeds derived from the sale of bonds, and related investment earnings to repay $548,900,000 of Unemployment Compensation Fund Special Revenue Bonds issued on November 6, 2013. The revenue bonds were issued for the purposes of repaying the Federal Unemployment Advance that occurred during the last recession and funding a deposit to the Nevada UITF Account to avoid the need for further advances. Pursuant to NRS 612.6132, special bond contributions must be established at levels sufficient to pay debt service on the bonds. As of June 30, 2017, the outstanding balance of the bonds is $131,079,204. The total principal and interest remaining on the bonds is $132,643,250 payable through June 2018. In fiscal year 2017, principal and interest of $163,480,875 was paid. As of June 30, 2017, $70,229,501 was held by the trustee for the benefit of the bondholders. Special bond contributions of $199,941,575 are expected to be collected in fiscal year 2018, which, along with assets held by the trustee, will be used to pay the fiscal year 2018 debt service principal and interest of $132,643,250.

Pledged Nevada Housing Division program funds – The single-family bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; the rights and interest of the Housing Division in all mortgage loans purchased under the various bond certificates; revenues which primarily include mortgage repayments and the net income, if any, derived as a result of foreclosure or other action taken in the event of a default on such a mortgage loan; curtailments, consisting generally of all amounts representing monthly principal payments with respect to mortgage loans which are received in advance of the scheduled amortization thereof; and all earnings realized by the investment of monies in all funds and accounts as well as all funds and accounts created by the various bond certificates.

The multi-unit bonds are payable from, and secured by, a pledge of the proceeds derived from the sale of bonds; all earnings realized from the investment of bond proceeds; after permanent financing, all revenues received from the development including housing assistance and rental payments made by tenants, notes receivable collateralized by deeds of trust and the rights to FHA insurance, draws on bank letters of credit, private mortgage and hazard insurance and condemnation proceeds.

As of June 30, 2017, the outstanding balance of single-family and multi-unit bonds is $514,415,679. The total of principal and interest remaining on the bonds is $741,651,354 payable through June 2052. In fiscal year 2017, principal and interest

(Note 10 Continued)

of $59,977,727 was paid. As of June 30, 2017, $184,492,968 was held by the trustee for the benefit of the single-family bondholders. The amount of payments received for mortgage loans in fiscal year 2017 is $30,406,228. Fifty million is expected to be collected in fiscal year 2018, which, along with assets held by the trustee, will be used to pay the fiscal year 2018 debt service principal and interest of $18,280,186.

L. Pollution Remediation Obligation

Currently there are four sites in Nevada in various stages of pollution cleanup associated with contaminated soil and groundwater. The pollution remediation liabilities associated with these sites were measured using the expected cash flow technique. Liability estimates are subject to change due to price increases or reductions, technology, or changes in applicable laws or regulations governing the remediation efforts. The State does not anticipate recovering reimbursements from the parties who caused the pollution. As of June 30, 2017 the liability, by component, is as follows (expressed in thousands):

Post remediation and site closure	$	375
Site assessment		150
Site remediation		2,000
Total pollution remediation obligation	$	2,525

M. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2017, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable	$ 595,296	$ 47,556	$ (20,137)	$ 622,715	$ 30,679
Issuance premiums (discounts)	41,226	1,055	(2,981)	39,300	2,989
Total bonds payable	636,522	48,611	(23,118)	662,015	33,668
Obligations under capital leases	51,941	18,627	(19,344)	51,224	1,234
Compensated absences obligations	49,805	33,732	(33,700)	49,837	34,945
Total	$ 738,268	$ 100,970	$ (76,162)	763,076	69,847
Discretely presented component units of the NSHE:					
Compensated absences				263	-
Total				$ 763,339	$ 69,847

Tuition and fees, auxiliary enterprises' revenue and certain other revenue as defined in the bond indentures secure the revenue bonds.

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2017 (expressed in thousands):

Year Ending June 30	Principal	Interest
2018	$ 33,668	$ 26,031
2019	37,169	24,929
2020	36,362	23,647
2021	34,130	22,367
2022	34,479	21,086
2023-2027	145,493	86,011
2028-2032	130,891	57,709
2033-2037	116,635	30,833
2038-2042	56,643	13,076
2043-2047	36,545	2,991
Total	$ 662,015	$ 308,680

Future net minimum rental payments which are required under the capital leases by NSHE for the years ending June 30 are as follows (expressed in thousands):

Year Ending June 30	Amount
2018	$ 3,710
2019	3,712
2020	3,704
2021	3,577
2022	3,517
2023-2027	17,589
Thereafter	54,121
Total minimum lease payments	89,930
Less: amount representing interest	(38,706)
Obligations under capital leases	$ 51,224

(Note 10 Continued)

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2017, and the changes for the year then ended, consist of the following (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	$ 39,195	$ -	$ (5,015)	$ 34,180	$ 5,965
Issuance premiums (discounts)	25	-	(181)	(156)	-
Total bonds payable	39,220	-	(5,196)	34,024	5,965
Compensated absences obligations	323	206	(209)	320	188
Total	$ 39,543	$ 206	$ (5,405)	$ 34,344	$ 6,153

Scheduled maturities for bonds payable by CRC for the years ending June 30 are as follows (expressed in thousands):

Year Ending June 30	Principal	Interest
2018	$ 5,965	$ 1,208
2019	730	1,063
2020	740	1,050
2021	755	1,033
2022	770	1,015
2023-2027	4,215	4,712
2028-2032	5,000	3,900
2033-2037	6,090	2,775
2038-2042	6,830	1,391
2043-2044	3,085	132
Total	$ 34,180	$ 18,279

Note 11 - Pensions and Other Employee Benefits

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 each pension plan and additions to/deductions from each pension plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The aggregate pension related amounts for the primary government consist of a net pension liability of $2,208,435,609, deferred outflows of resources of $364,203,740, deferred inflows of resources of $183,013,732 and pension expense of $163,018,709. The State's defined benefit pension plans are described in detail below.

A. Public Employees' Retirement System of Nevada

Plan Description – The Public Employees' Retirement System (PERS) was established in 1947 by the Nevada Legislature and is governed by the Public Employees' Retirement Board whose seven members are appointed by the governor. PERS administers a cost-sharing multiple-employer defined benefit pension plan that covers qualified State employees and employees of participating local government entities in the State. Any public employer in the State may elect to have its regular and police/fire employees covered by PERS. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. That report may be obtained on the PERS website at www.nvpers.org.

Pension Benefits – Benefits provided to participants or their beneficiaries include retirement, disability, and survivor benefits. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months, with special provisions for members entering the System on or after January 1, 2010. Members become fully vested as to benefits upon completion of 5 years of service. Unreduced benefits are available, depending upon when the member entered the System, as follows:

(Note 11 Continued)

Regular Members	Police/Fire Members
Before January 1, 2010	Before January 1, 2010
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 60 with 10 years of service	Age 55 with 10 years of service
Any age with 30 years of service	Age 50 with 20 years of service
	Any age with 25 years of service
On or after January 1, 2010	On or after January 1, 2010
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 62 with 10 years of service	Age 60 with 10 years of service
Any age with 30 years of service	Age 50 with 20 years of service
	Any age with 30 years of service
On or after July 1, 2015	On or after July 1, 2015
Age 65 with 5 years of service	Age 65 with 5 years of service
Age 62 with 10 years of service	Age 60 with 10 years of service
Age 55 with 30 years of service	Age 50 with 20 years of service
Any age with 33.3 years of service	Any age with 30 years of service

Members with the years of service necessary to receive a retirement benefit but who have not reached the age for an unreduced benefit may retire at any age with the benefit reduced by 4% (for members entering the System before January 2, 2010) or 6% (for members entering the System on or after January 1, 2010) for each full year they are under the required age.

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 System on or after January 1, 2010, there is a 2.5% multiplier. Lastly, for members entering the System on or after July 1, 2015, there is a 2.25% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Retirees are eligible for annual benefit increases if they began receiving benefits at least 3 years before the effective date of the increase. Benefits are increased annually on the first day of the month following the anniversary of the commencement of benefits. The increases begin at 2% in years 4, 5 and 6; increase to 3% in years 7, 8 and 9; 3.5% in years 10, 11 and 12; 4% for years 13 and 14; and 5% in year 15 and each year thereafter. For retirees entering the System on or after January 1, 2010, increases are capped at 4% in year 13 and each year thereafter. If the benefit outpaces inflation in the period since retirement, the increase may be capped by a rolling three-year average of the Consumer Price Index (all items). For retirees entering the System on or after July 1, 2015, the increases begin at 2% in years 4, 5 and 6; increase to 2.5% in years 7, 8 and 9; the lesser of 3% or the increase, if any, in the Consumer Price Index (all items) for the preceding calendar years following year 10 and every year thereafter.

Member and Employer Contributions - The authority for establishing and amending the obligation to make contributions, and member contribution rates, is set by statute. New hires of the State of Nevada and public employers have the option of selecting either the employee/employer contribution plan or the employer-pay contribution plan. Under the employee/employer contribution plan, the employee and the employer each make matching contributions. Under the employer-pay contribution plan, the employer pays all contributions on the employee's behalf; however, the employee shares equally in the cost of the contribution rate either through salary reduction or in lieu of a promised pay increase.

PERS' basic funding policy provides for periodic contributions as 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. Although 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.

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2017 were as follows:

	Statutory Rate	
	Employer	Employees
Regular employees:		
Employer-pay plan	28.00%	na
Employee/employer plan (matching rate)	14.50%	14.50%
Police and Fire employees:		
Employer-pay plan	40.50%	na
Employee/employer plan (matching rate)	20.75%	20.75%

State contributions recognized as part of pension expense for the current fiscal year ended June 30, 2017 were $138,353,385.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the State reported a liability of $2,187,213,426, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2016, the State's proportion was 16.25%, a decrease of .15% from its proportion measured at June 30, 2015.

(Note 11 Continued)

For the year ended June 30, 2017, the State recognized pension expense of $158,759,762. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (146,462)
Net difference between projected and actual earnings on pension plan investments	203,329	-
Changes in proportionate share of contributions	2,798	(32,336)
State contributions subsequent to the measurement date	147,809	-
Total	$ 353,936	$ (178,798)

Deferred outflows of resources of $147,808,975 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2018	$ (28,267)
2019	(28,267)
2020	60,681
2021	25,993
2022	(7,698)
Thereafter	4,887

Actuarial Assumptions – The State's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate:	3.50%
Payroll growth:	5.00%, including inflation
Investment rate of return:	8.00%
Productivity pay increase:	0.75%
Projected salary increases:	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.50%, depending on service Rates include inflation and productivity increases
Consumer price index:	3.50%
Other assumptions:	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males) for regular members and set forward one year for police/fire members. Mortality rates for disabled members were based on the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2016 valuation were based on an experience study for the period from July 1, 2006, through June 30, 2012.

Investment Policy - The PERS Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System's target asset allocations and current long-term geometric expected real rates of return for each asset class included in the fund's investment portfolio as of June 30, 2016, are included in the following table:

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%

Discount Rate – The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are

(Note 11 Continued)

intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. 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, 2016.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the State's proportionate share of the net pension liability at June 30, 2016 calculated using the discount rate of 8%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	$ 3,206,028	$ 2,187,213	$ 1,339,573

Pension Plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS' report.

Payables to the pension plan – At June 30, 2017, the State reported payables to the defined benefit pension plan of $22,764,745 for legally required employer contributions which had been withheld from employee wages but not yet remitted to PERS.

B. Legislators' Retirement System of Nevada

Plan Description – The Legislators' Retirement System (LRS) is a single-employer defined benefit pension plan established in 1967 by the Nevada Legislature (NRS 218C) and is governed by the Public Employees' Retirement Board whose seven members are appointed by the governor. All State Legislators are members. LRS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. LRS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

At June 30, 2016, the LRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	77
Inactive vested members	14
Inactive non-vested members	25
Active members	31
Total	147

Pension Benefits – Benefits are determined by the number of years of accredited service at the time of retirement. Service years include the entire election term whether or not the Legislature is in session. Benefits payments to which participants may be entitled under the plan include pension and survivor benefits. Monthly benefit allowances are $25 for each year of service up to 30 years.

If a Legislator is newly elected after July 1, 1985, they must have at least 10 years of service, be age 60, and no longer be a Legislator in order to retire without benefit reduction. If a Legislator is no longer serving and has at least 10 years of service but is under the age of 60, they can elect to wait to receive their benefit until the age of 60 or begin receiving a reduced benefit prior to the age of 60. The minimum requirement for an unreduced benefit for a Legislator elected prior to July 1, 1985, is 8 years of accredited service at age 60.

Members are eligible for post-retirement benefit increases based on their effective date of membership. For members with an effective date of membership before January 1, 2010, the lesser of: (a) 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or (b) the average percentage increase in the Consumer Price Index (or other Board approved index) for the three preceding years. In any event, a member's benefit must be increased by the percentages in (a) if it has not been increased at a rate greater than or equal to the average of the Consumer Price Index (CPI) (All items) (or other Board approved index) for the period between retirement and the date of increase. For members with an effective date of membership on or after January 1, 2010, and prior to July 1, 2015, same as above, except the increases in (a) above do not exceed 4% per year. For members with an effective date of membership on or after July 1, 2015, 2% per year following the third through fifth anniversaries of the commencement of benefits; 2.5% per year following the sixth through eighth anniversaries. On succeeding anniversaries, the annual increase shall be the lesser of 3% or the CPI for the preceding calendar year. For future retirees, those hired prior to 2010 are assumed to reach the cap after 24 years of retirement. Those hired in 2010 or later are assumed to reach the cap after 39 years of retirement. Underlying all of these assumptions is that CPI will grow over time at a rate of 3.5% per year.

Member and Employer Contributions - The employee contribution of 15% of compensation is paid by the employee only when the Legislature is in session, as required by statute. The

(Note 11 Continued)

Legislature holds sessions every two years. Prior to 1985, the employee contributions were matched by the employer. The 1985 Legislators' Retirement Act includes NRS 218C.390(2) which states, "The Director of the Legislative Counsel Bureau shall pay to the Board from the Legislative Fund an amount as the contribution of the State of Nevada as employer which is actuarially determined to be sufficient to provide the System with enough money to pay all benefits for which the System will be liable." The Legislature appropriated $311,710 for fiscal years 2015 and 2016, which is the required State contribution as determined by the actuary. This amount was paid by the State of Nevada to the Legislative fund during fiscal 2016, of which $155,855 (half) was recognized as employer contributions in the fiscal year 2015, and the other half recognized as employer contributions in fiscal year 2016.

State contributions recognized as part of pension expense for the fiscal year ended June 30, 2017 were $155,855.

LRS' basic funding policy provides for contributions by the State based on a biennial actuarial valuation prepared per NRS 281C.390(2). The Actuarially Determined Employers' Contribution (ADEC) includes the employer's normal cost and a provision for amortizing the Unfunded Actuarial Accrued Liability (UAAL). Beginning July 1, 2014, actuarial valuations are done annually. Effective with the January 1, 2009 valuation, the UAAL is amortized as a level dollar amount over a declining amortization period of 20 years. Any increases or decreases in the UAAL that arise in future years will be amortized over separate 20-year periods. In addition, the Actuarial Value of Assets (AVA) was limited to not less than 75% or greater than 125% of market value. The actuarial funding method used is the Entry Age Normal Cost Method.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the State reported a net pension liability of $712,848. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2017, the State recognized pension income of $100,834. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 173	$ -
Difference between expected and actual experience	-	(8)
State contributions subsequent to the measurement date	105	-
Total	$ 278	$ (8)

Deferred outflows of resources of $104,834 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2018	$ (2)
2019	6
2020	100
2021	61
2022	-
Thereafter	-

(Note 11 Continued)

The following table presents the changes in the net pension liability for LRS for the year ended June 30, 2016 (expressed in thousands):

		2016
Total pension liability		
Service cost	$	31
Interest		414
Differences between expected and actual experience		(145)
Benefit payments, including refunds		(503)
Net change in total pension liability		(203)
Total pension liability - beginning		5,390
Total pension liability - ending (a)	$	5,187
Plan fiduciary net position		
Contributions - employer	$	156
Contributions - employee		23
Net investment income		62
Benefit payments, including refunds		(503)
Administrative expense		(65)
Other		66
Net change in plan fiduciary net position		(261)
Plan fiduciary net position - beginning		4,735
Plan fiduciary net position - ending (b)	$	4,474
Net pension liability - beginning	$	655
Net pension liability - ending (a) - (b)	$	713
Plan fiduciary net position as a percentage of total pension liability		86%
Covered payroll		N/A
Net pension liability as a percentage of covered payroll		N/A

Actuarial Assumptions – The State's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate:	3.50%
Investment rate of return:	8.00%
Projected salary increases:	3.50%
Consumer price index:	3.50%
Other assumptions:	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of the actuarial experience study for the period July 1, 2006, through June 30, 2012.

Investment Policy – The Retirement Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System's target asset allocations and current long-term expected real rates of return for each asset class included in the fund's investment portfolio as of June 30, 2016, are included in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	5.50%
International equity	21%	5.75%
Domestic fixed income	30%	0.25%

Discount Rate – The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	$ 1,153	$ 713	$ 335

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued LRS report.

Payables to the pension plan – At June 30, 2017, the State had no payables to the defined benefit pension plan for legally required employer contributions.

C. Judicial Retirement System of Nevada

Plan Description – The Judicial Retirement System (JRS) is an agent multiple-employer defined benefit pension plan established in 2001 by the Nevada Legislature (NRS 1A.160) and is governed by the Public Employees' Retirement Board whose seven members are appointed by the governor. The JRS was established to provide benefits in the event of retirement, disability, or death of justices of the Supreme Court, district judges, municipal court judges and justices of the peace, funded on an actuarial reserve basis. JRS issues a publicly available financial report that includes financial statements and the required supplementary information for the System. JRS' financial report may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

At June 30, 2016, the JRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	70
Inactive vested members	2
Active members	107
Total	179

Pension Benefits - Benefits are paid according to various options contained in pertinent statutes, dependent upon whether a member was serving as a Supreme Court justice or district judge before November 5, 2002. Retiring members who were serving as a judge before November 5, 2002 may select among the two benefit options below. Retiring members who began serving as a justice or judge on or after November 5, 2002 may select only the first option below.

<u>Option 1 - 2003 Benefit Plan:</u> Benefits, as required by statute, are computed at 3.4091% per year of accredited service at the time of retirement times the member's highest average compensation in any 36 consecutive months, to a maximum of 75%. Benefit payments to which participants may be entitled under the plan include pension benefits, disability benefits and survivor benefits.

<u>Option 2 – Previous Benefit Plan:</u> Retiring members who were serving as a Supreme Court justice or district judge prior to November 5, 2002 may select benefit payments computed at 4.1666% for each year of service, up to a total maximum of 22 years, times the member's compensation for their last year of service.

Members who retired under the Previous Benefit Plan (plan in effect before November 5, 2002) and are appointed as senior judges can earn service credit while receiving their pension payments. They are eligible to have their benefit recalculated each time they earn an additional year of service credit.

Members enrolled in the Judicial Retirement Plan on or after July 1, 2015 will receive 3.1591% for each year of service. Each member is entitled to a benefit of not more than 75% and must contribute 50% of the contribution rate through payroll deductions.

Members of the System become fully vested after five years of service. A member of the System is eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with 30 years of service. For those members who were serving as a Supreme Court justice or district judge prior to November 5, 2002, and selected the second benefit option, eligibility for retirement is at age 60 with five years of service.

Members enrolled on or after July 1, 2015, become fully vested after five years of service. Eligible retirement age is 65 with five years of service, at age 62 with 10 years of service, age 55 with 30 years of service, and at any age with 33 1/3 years of service.

(Note 11 Continued)

Member and Employer Contributions –The participating employers submit the percentage of compensation determined by the actuary to pay the normal costs and administrative expenses. Also, the participating employers pay to the JRS an amount on the unfunded liability which is actuarially determined to be sufficient to enable the JRS to pay all current benefits for which the JRS is liable.

JRS' basic funding policy provides for contributions by the participating employers based on an actuarial valuation prepared per Nevada Revised Statute (NRS 1A.180(1)). The amount of the annual contribution required to fund the System is comprised of a normal cost payment and a payment on the Unfunded Actuarial Accrued Liability (UAAL). Effective January 1, 2009, UAAL is amortized over a year-by-year closed amortization period as a level percent of pay (3% payroll growth assumed) where each amortization period will be set at 30 years for State judges (Supreme Court justices and district judges) and 20 years for each non-state agency. Any increases or decreases in UAAL that arise in future years will be amortized over separate 30-year periods for State judges and 20-year periods for non-state judges. The actuarial funding method used is the Entry Age Normal Cost Method.

The State's annual actuarially determined contribution to fund the System at June 30, 2017 was $5,138,014 and the actual contribution made was $5,261,970.

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the State reported a liability of $20,509,335 for its net pension liability for the JRS pension plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's net pension liability was based on an individual basis and based on the plan provisions and benefit accrual rates applicable to that individual.

For the year ended June 30, 2017, the State recognized pension expense of $4,359,781. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 671	$ (4,045)
Net difference between projected and actual earnings on pension plan investments	4,050	-
Changes in proportion and differences between State contributions and proportionate share of contributions	112	-
State contributions subsequent to the measurement date	5,262	-
Total	$ 10,095	$ (4,045)

Deferred outflows of resources of $5,261,970 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2018	$ (535)
2019	(535)
2020	1,221
2021	508
2022	-
Thereafter	-

(Note 11 Continued)

The following table presents the changes in the net pension liability for the JRS plan as a whole for the year ended June 30, 2016 (expressed in thousands):

		2016
Total pension liability		
Service cost	$	3,828
Interest		9,677
Differences between expected and actual experience		(4,211)
Benefit payments, including refunds		(5,351)
Net change in total pension liability		3,943
Total pension liability - beginning		119,810
Total pension liability - ending (a)	$	123,753
Plan fiduciary net position		
Contributions - employer	$	5,773
Employee purchase of service		269
Net investment income		1,556
Benefit payments, including refunds		(5,351)
Administrative expense		(90)
Net change in plan fiduciary net position		2,157
Plan fiduciary net position - beginning		98,945
Plan fiduciary net position - ending (b)	$	101,102
Net pension liability - beginning	$	20,865
Net pension liability - ending (a) - (b)	$	22,651
Plan fiduciary net position as a percentage of total pension liability		82%
Covered payroll (measurement as of end of fiscal year)	$	20,154
Net pension liability as a percentage of covered payroll		112%

Actuarial Assumptions – The State's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate:	3.50%
Investment rate of return:	8.00%
Projected salary increases:	3.00% - 8.00% varies by service
Consumer price index:	3.50%
Other assumptions:	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males).

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2006, through June 30, 2012.

Investment Policy – The Retirement Board evaluates and establishes the investment portfolio target asset allocations and the expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these asset allocations and capital market expectations annually. The System's target asset allocations and current long-term expected real rates of return for each asset class included in the fund's investment portfolio as of June 30, 2016, are included in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	49%	5.50%
International equity	21%	5.75%
Domestic fixed income	30%	0.25%

Discount Rate – The discount rate used to measure the total pension liability was 8% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions will be made monthly at the current contribution rate and the payment to amortize the unfunded actuarial liability is assumed to be paid at the end of the year for State and monthly for non-state agencies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. 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.

(Note 11 Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the State's proportionate share of the net pension liability using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate (expressed in thousands):

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Net pension liability	$ 33,349	$ 20,509	$ 9,658

Pension Plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued JRS report.

Payables to the pension plan – At June 30, 2017, the State reported payables to the defined benefit pension plan of $388,462 for legally required employer contributions not yet remitted to JRS.

D. Other Postemployment Benefits

Plan Description – The State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees' Fund") was created in 2007 by the Nevada Legislature 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 established the Retirees' Fund as an irrevocable trust fund for the purpose of providing retirement benefits other than pensions. The Retirees' Fund is a multiple-employer cost-sharing defined postemployment benefit plan administered by the Board of the Public Employees' Benefits Program of the State of Nevada. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada. NAC 287.530 establishes the benefit upon the retiree. All Nevada public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees' Fund. State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

The Retirees' Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retirees' Fund as a trust fund. The Retirees' Fund financial report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

Summary of Significant Accounting Policies - The financial statements of the Retirees' Fund have been prepared using the accrual basis of accounting and the economic resources measurement focus. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees' Fund does not receive member contributions.

Method Used to Value Investments – The Retiree's Fund and the Retirement Benefit Investment Fund (RBIF) both hold investments that are measured at fair value on a recurring basis and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. All investments are classified in Level 1.

Contributions and Funding Policy - NRS 287.046 establishes a subsidy to pay an amount toward the cost of the premium or contribution for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. For the period from July 1, 2016 through June 30, 2017 the rate assessed was 2.357% of annual covered payroll. The assessment is based on an amount provided by the Legislature each biennium in session law. For the year ended June 30, 2017, the State, its component units, State Boards and Commissions, and other participating public employers contributed $38,048,603 to the plan, which is 100% of the contractually required contribution. For the years ended June 30, 2016 and 2015 the State, its component units, State Boards and Commissions, and other participating public employers contributed $32,213,079, and $37,758,981, respectively, to the plan, which equaled 100% of the contractually required contribution each year.

Note 12 - Risk Management

The State of Nevada established the Self-Insurance and Insurance Premiums funds in 1983 and 1979, respectively. Both funds are classified as internal service funds.

Interfund premiums are reported as interfund services provided and used. All State funds participate in the insurance program. Changes in the claims liabilities during the past two fiscal years were as follows (expressed in thousands):

	Self Insurance Fund	Insurance Premiums Fund
Balance June 30, 2015	$ 60,658	$ 64,739
Claims and changes in estimates	220,238	14,736
Claim payments	(217,882)	(15,758)
Balance June 30, 2016	63,014	63,717
Claims and changes in estimates	228,478	15,866
Claim payments	(222,823)	(13,858)
Balance June 30, 2017	$ 68,669	$ 65,725
Due Within One Year	$ 68,669	$ 18,133

In accordance with GASB, a liability for claims is reported if information received before the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include incremental claims adjustment costs. A reserve for losses has been established in both funds to account for these liabilities and is included in the liability section of the Statement of Net Position.

There was no insurance coverage for excess liability insurance.

There are several pending lawsuits or unresolved disputes involving the State or its representatives at June 30, 2017. The estimated liability for these claims has been factored into the calculation of the reserve for losses and loss adjustment expenses developed.

A. Self-Insurance Fund

The Self-Insurance Fund administers the group health, life and disability insurance for covered employees, both active and retired, of the State and certain other participating public employers within the State. All public employers in the State are eligible to participate in the activities of the Self-Insurance Fund and currently, in addition to the State, there are five public employers whose employees are covered under the plan. Additionally, all retirees of public employers contracted with the Self-Insurance Fund to provide coverage to their active employees are eligible to join the program subsequent to their retirement. Public employers are required to subsidize their retirees who participate in the plan in the same manner the State subsidizes its retirees. Currently, the State, the Nevada System of Higher Education and one hundred twenty-two public employers are billed for retiree subsidies. The Self-Insurance Fund is overseen by the Public Employees' Benefit Program Board. The Board is composed of ten members, nine members appointed by the Governor, and the Director of the Department of Administration or their designee.

The Self-Insurance Fund is self-insured for medical, dental, vision, mental health and substance abuse benefits and assumes all risk for claims incurred by plan participants. Fully insured HMO products are also offered. Long-term disability and life insurance benefits are fully insured by outside carriers. For the self-insured benefits, fund rate-setting policies have been established after consultation with an actuary. The participating public employers, with the exception of the State, are not subject to supplemental assessment in the event of deficiencies.

The management of the Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been incurred but not reported and the unused portion of the Health Reimbursement Arrangement (HRA) liability. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Upon consultation with an actuary, claims liabilities are recomputed annually using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation, because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which claims are made.

B. Insurance Premiums Fund

The Insurance Premiums Fund provides general, civil (tort), and auto liability insurance to State agencies, workers' compensation insurance for State employees excluding NSHE, and auto physical damage and property insurance for State agencies.

For the period beginning January 1, 2001, and for each calendar year thereafter, the Fund purchased a high deductible policy for workers' compensation. Liabilities in the amount of

(Note 12 Continued)

$48,602,497 as of June 30, 2017 were determined using standard actuarial techniques as estimates for the case, reserves, incurred but not reported losses and allocated loss adjustment expenses under the plan as of June 30, 2017.

The Fund is financed by the State. The State has a maximum exposure of $50,000 through October 1, 2007, $75,000 through October 1, 2011 and $100,000 thereafter for each general liability claim, with the exception of claims that are filed in other jurisdictions, namely, federal court. Those claims filed in federal court are not subject to the limit. Per State statute, if, as the result of future general liability or catastrophic losses, fund resources are exhausted, coverage is first provided by the reserve for statutory contingency account and would then revert to the General Fund.

The Fund is fully self-insured for general, civil and vehicle liability. The Fund is also self-insured for comprehensive and collision loss to automobiles, self-insured to $250,000 for property loss with commercial insurance purchased to cover the excess above this amount, and commercially insured for losses to boilers and machinery and certain other risks.

At June 30, 2017, incurred but not reported claims liability for general, civil and auto liability insurance is based upon standard actuarial techniques, which take into account financial data, loss experience of other self-insurance programs and the insurance industry, the development of known claims, estimates of the cost of reported claims, incurred but not reported claims, and allocated loss adjustment expenses. The incurred but not reported claims liability for property casualty insurance is based upon the estimated cost to replace damaged property. The liability for estimated losses from reported and unreported claims in excess of the amounts paid for the workers' compensation policies is determined using standard actuarial techniques, which take into account claims history and loss development factors for similar entities. Incurred but not reported claims liabilities are included in the reserve for losses.

The State is contingently liable for the cost of post retirement heart and lung disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the two-year employment period requirement under this act is eligible for coverage under Workers' Compensation for heart and lung disease. A range of estimated losses from $5,179,500 to $18,514,000 for heart disease and $6,042,730 for lung disease have been determined using standard actuarial techniques. Due to the high degree of uncertainty surrounding this coverage, no accrual for these losses is reflected in the financial statements.

At June 30, 2017 total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by $48,981,936. The Fund is liable for approximately $49,000,000 as of June 30, 2017 in potential claims settlements, which have yet to be funded through premium contributions. As NRS 331.187 provides that if money in the Fund is insufficient to pay a tort claim, the claim is to be paid from the reserve for statutory contingency account, and, as management assesses premiums to cover current claims payments, management believes that this provides the opportunity for the Fund to satisfy these liabilities.

Note 13 - Fund Balances and Net Position

A. Net Position-Restricted by Enabling Legislation

The government-wide statement of net position reports $2,870,043,533 of net position-restricted for the primary government, of which $245,408,188 is restricted by enabling legislation.

B. Governmental Fund Balances

Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the State is bound to observe constraints imposed on the use of the resources of the fund. A summary of governmental fund balances at June 30, 2017, is shown below (expressed in thousands):

(Note 13 Continued)

	Major Governmental Funds					
	General	State Highway	Municipal Bond Bank	Permanent School	Nonmajor Governmental Funds	Total Governmental
Fund balances:						
Nonspendable:						
Long term notes/loans receivable	$ 13,956	$ -	$ 85,510	$ -	$ -	$ 99,466
Inventory	7,585	15,129	-	-	439	23,153
Advances	4,347	-	-	-	-	4,347
Prepaid items	2,360	33	-	-	11	2,404
Permanent fund principal	-	-	-	350,781	30	350,811
Restricted for:						
Administration	121	-	-	-	12,632	12,753
Agriculture	160	-	-	-	-	160
Business and industry	6,644	-	-	-	31,970	38,614
Capital projects	-	-	-	-	57,308	57,308
Conservation and natural resources	39,449	-	-	-	4,158	43,607
Corrections	2	-	-	-	13,669	13,671
Debt service	-	-	-	-	30,124	30,124
Economic development	5,600	-	-	-	-	5,600
Education K-12	3,164	-	-	-	-	3,164
Elected officials	1,526	-	-	-	-	1,526
Gaming control	8,942	-	-	-	-	8,942
Health and human services	2,182	-	-	-	134,197	136,379
Motor vehicles	-	40,051	-	-	-	40,051
Other purposes	-	-	-	-	4,580	4,580
Public safety	214	13,769	-	-	-	13,983
Transportation	-	426,251	-	-	-	426,251
Veterans' services	980	-	-	-	-	980
Wildlife	14,188	-	-	-	-	14,188
Committed to:						
Administration	7,876	-	-	-	-	7,876
Agriculture	6,009	-	-	-	996	7,005
Business and industry	30,966	-	-	-	4,678	35,644
Capital projects	-	-	-	-	37,213	37,213
Conservation and natural resources	79,294	-	-	-	7,948	87,242
Corrections	6,525	-	-	-	-	6,525
Debt service	-	-	5,268	-	137,493	142,761
Economic development	14,673	-	-	-	7,188	21,861
Education K-12	36,098	-	-	-	-	36,098
Elected officials	30,331	-	-	-	3,230	33,561
Employment and training	4,537	-	-	-	-	4,537
Fiscal emergency	103,254	-	-	-	-	103,254
Gaming control	2,340	-	-	-	-	2,340
Health and human services	83,318	-	-	-	-	83,318
Judicial	7,235	-	-	-	-	7,235
Legislative	63,537	-	-	-	-	63,537
Military	365	-	-	-	-	365
Motor vehicles	2,600	-	-	-	-	2,600
Other purposes	6,018	-	-	-	-	6,018
Public safety	13,589	1,670	-	-	-	15,259
Silver state health insurance	13,709	-	-	-	-	13,709
Social services	-	-	-	-	27,516	27,516
Tobacco settlement program	-	-	-	-	59,994	59,994
Taxation	8,788	-	-	-	-	8,788
Tourism and cultural affairs	425	-	-	-	-	425
Transportation	-	48,378	-	-	-	48,378
Veterans' services	5,082	-	-	-	-	5,082
Wildlife	16,323	-	-	-	-	16,323
Unassigned:	(97,625)	-	-	-	-	(97,625)
Total fund balances	$ 556,687	$ 545,281	$ 90,778	$ 350,781	$ 575,374	$ 2,118,901

C. Individual Fund Deficit

Nonmajor Enterprise Funds:

Insurance Administration and Enforcement - The Insurance Administration and Enforcement Fund accounts for activities related to the administration and enforcement of the Nevada Insurance Code and other laws and regulations enforced by the Department of Business and Industry Division of Insurance. The fund recorded an increase in net position of $249,836 for the year ended June 30, 2017, resulting in negative net position of $2,252,123 at June 30, 2017.

(Note 13 Continued)

Nevada Magazine – The Nevada Magazine Fund accounts for the operation of the publication, Nevada Magazine, which is published to promote tourism. The fund recorded a decrease in net position of $120,734 for the year ended June 30, 2017, resulting in a negative net position of $794,869 at June 30, 2017.

Internal Service Funds:
Buildings and Grounds – The Buildings and Grounds Fund accounts for the maintenance, housekeeping and security of most State buildings. The fund recorded an increase in net position of $115,068 for the year ended June 30, 2017, resulting in a negative net position of $3,359,383 at June 30, 2017.

Communications – The Communications Fund accounts for the operation of mail services for State agencies in Carson City, Reno, Las Vegas and Elko. The fund recorded a decrease in net position of $182,664 for the year ended June 30, 2017, resulting in a negative net position of $326,302 at June 30, 2017.

Insurance Premiums – The Insurance Premiums Fund allocates the cost of fidelity insurance, property insurance and workers' compensation insurance to State agencies. The fund recorded an increase in net position of $1,047,843 for the year ended June 30, 2017, resulting in negative net position of $48,914,793 at June 30, 2017.

Administrative Services – The Administrative Services Fund provides administrative and accounting services to various divisions of the Department of Administration. The fund recorded a decrease in net position of $425,212 for the year ended June 30, 2017, resulting in negative net position of $3,229,344 at June 30, 2017.

Personnel – The Personnel Fund accounts for the costs of administering the State personnel system. The fund recorded an increase in net position of $1,569,423 for the year ended June 30, 2017, resulting in negative net position of $5,571,734 at June 30, 2017.

Purchasing – The Purchasing Fund provides purchasing services to State agencies and other governmental units. The fund recorded an increase in net position of $1,021,153 for the year ended June 30, 2017, resulting in negative net position of $1,529,566 at June 30, 2017.

Information Services – The Information Services Fund accounts for designing, programming, and maintaining data processing software and also operating the State's central computer facility, radio communication and telecommunication systems. The fund recorded an increase in net position of $2,735,610 for the year ended June 30, 2017, resulting in negative net position of $9,778,947 at June 30, 2017.

Note 14 - Principal Tax Revenues

The principal taxing authorities for the State of Nevada are the Nevada Tax Commission and the Nevada Gaming Commission.

The Nevada Tax Commission was created under NRS 360.010 and is the taxing and collecting authority for most non-gaming taxes. The following are the primary non-gaming tax revenues:

Sales and Use Taxes are imposed at a minimum rate of 6.85%, with county and local option up to an additional 1.30%, on all taxable sales and taxable items of use. The State receives tax revenue of 2% of total sales with the balance distributed to local governmental entities and school districts.

Modified Business Tax is imposed at different rates for businesses, financial institutions and mining. Businesses other than financial institutions and mining are assessed a tax at a rate of 1.475% per calendar quarter for amounts the wages exceed $50,000. Modified Business Tax is imposed on financial institutions and mining at 2% on gross wages paid by the employer during the calendar quarter. There is an allowable deduction from the gross wages for amounts paid by the employer for qualified health insurance or a qualified health benefit plan.

Insurance Premium Tax is imposed at 3.5% on insurance premiums written in Nevada. A "Home Office Credit" is given to insurance companies with home or regional offices in Nevada.

Motor Vehicle Fuel Tax is levied at 24.805 cents per gallon on gasoline and gasohol sales. 17.65 cents of the tax goes to the State Highway Fund, .75 cents goes to the Cleaning Up Petroleum Discharges Fund, .055 cents goes to the General Fund and the remaining 6.35 cents goes to the counties. The counties have an option to levy up to an additional 9 cents per gallon.

(Note 14 Continued)

Cigarette Tax is imposed at a rate of 90 mills per cigarette. A tax on tobacco products, other than cigarettes, is imposed at a rate of 30% of the wholesale price.

Commerce Tax is imposed upon each business entity whose Nevada gross revenue in a taxable year exceeds $4 million. The business entity is entitled to deduct certain amounts. The tax rate is based on the primary business industry classification.

Lodging Tax is imposed at a rate of at least 1% of the gross receipts from the rental of transient lodging with three-eighths of the first 1% paid to the State for the Tourism Promotion Fund. In counties with populations greater than 300,000, an additional tax of up to 3% is remitted to the State for distribution to the State Supplemental School Support Account.

Other Sources of tax revenues include: Controlled Substance Tax, Jet Fuel, Liquor Tax, Live Entertainment Tax (non-gaming establishments), Business License Fees, Motor Carrier Fees, Motor Vehicle Registration Fees, Net Proceeds of Minerals Tax, Property Tax, Real Property Transfer Tax, Short-Term Lessor Fees and Tire Tax.

The Nevada Gaming Commission was created under NRS 463.022 and is charged with collecting State gaming taxes and fees. The following sources account for gaming tax revenues:

Percentage Fees are the largest of several State levies on gaming. They are based upon gross revenue and are collected monthly. The fee is applied on a graduated basis at the following monthly rates: 3.5% of the first $50,000 of gross revenue; 4.5% of the next $84,000 of gross revenue; and 6.75% of the gross revenue in excess of $134,000.

Live Entertainment Taxes are imposed at a rate of 9% on admission to a facility where live entertainment is provided with an occupancy over 200. Live entertainment provided by escort services is also subject to the tax.

Flat Fee Collections are levied on the number of gambling games and slot machines operated. Licensees pay fees at variable rates on the number of gaming devices operated per quarter.

Other Sources of gaming tax revenues include: Unredeemed Slot Machine Wagering Vouchers, Annual State Slot Machine Taxes, Annual License Fees and Miscellaneous Collections, which consists of penalties and fines, manufacturer's, distributor's and slot route operator's fees, advance payments, race wire fees, pari-mutuel wagering tax and other nominal miscellaneous items.

Note 15 - Works of Art and Historical Treasures

The State possesses certain works of art, historical treasures, and similar assets that are not included in the capital assets shown in Note 7. The mission of the Lost City Museum in Overton is to study, preserve, and protect prehistoric Pueblo sites found in the Moapa Valley and adjacent areas and to interpret these sites through exhibits and public programs. In Reno, the Nevada Historical Society exhibits and maintains a large number of historical collections preserving the cultural heritage of Nevada. These collections are divided into four sections: library, manuscripts, photography, and museum. The Nevada State Museum in Carson City collects, preserves, and documents three general types of collections: anthropology, history, and natural history as it relates to Nevada and the Great Basin. The mission of the Nevada State Museum, Las Vegas, is to inspire and educate a diverse public about the history and natural history of Nevada. Its major collections include transportation, mining, and tourism as well as daily artifacts such as clothing, historical correspondence, business records, and photography. The Nevada State Railroad Museum, which is located in Carson City, is dedicated to educating visitors and the community through the collection, preservation and interpretation of objects directly related to railroads and railroading in Nevada. The East Ely Depot Museum, located in the historic Nevada Northern Railroad Depot building, exhibits artifacts, documents, and photographs of early Eastern Nevada mining and railroad transportation. In Boulder City, the Nevada State Railroad Museum displays and operates locomotives. The Nevada Arts Council with locations in Carson City and Las Vegas exhibits artwork. Its mission is to enrich the cultural life of the State and make excellence in the arts accessible to all Nevadans.

These collections are not capitalized by the State because they are:

- Held for public exhibition, education or research in furtherance of public service, rather than financial gain,
- Protected, kept unencumbered, cared for and preserved, and
- Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Note 16 - Tax Abatements

Abatement of Taxes on Business: The Governor's Office of Economic Development (GOED) provides multiple tax abatement programs to incentivize business development in Nevada. GOED promotes a robust, diversified and prosperous economy to attract new business and facilitate community development, stimulate business expansion and retention, and encourage entrepreneurial enterprise.

A company that intends to locate or expand a business in the State may apply to GOED for a partial abatement of one or more of the taxes imposed on new or expanded business. GOED may approve an application, upon making certain determinations, as outlined in NRS 360.750, which is effective through June 30, 2032. In addition to agreeing to continue in operation in the State for at least 5 years, applicants must also meet two of the following three requirements:

- New businesses locating in urban areas require fifty or more full-time employees on the payroll by the eighth calendar quarter following the calendar quarter in which the abatement becomes effective; in rural areas, the requirement is ten or more full-time employees. For an existing business that is expanding, the number of employees on the payroll must increase either by 10% more than the number of employees prior to the abatement becoming effective, or by 25 employees for urban areas (6 for rural areas), whichever is greater.
- New businesses locating in urban areas must make a capital investment of $1 million in eligible equipment within two years; in rural areas, the requirement is $250,000 in eligible equipment. For an existing business that is expanding, the capital investment must equal at least 20% of the value of the tangible property owned by the business.
- The average hourly wage paid to new employees must meet a specified minimum, and the business must provide a health insurance plan for all employees and their dependents by a specified time period.

A company that intends to locate or expand a business in certain areas of Economic Development may apply to GOED for a partial abatement of one or more of the taxes imposed on new or expanded business. Certain areas of Economic Development are defined in NRS 274.310 as a historically underutilized business zone, a redevelopment area created pursuant to Chapter 279 of NRS, an area eligible for a community development block grant pursuant to 24 Code of Federal Regulations (CFR) Part 570, or an enterprise community established pursuant to 24 CFR Part 597. Applicants must agree to continue in operation in the State for at least 5 years, and is effective through June 30, 2032. Additionally, businesses looking to start or expand in certain areas of Economic Development must meet either one of the two following requirements to apply for an abatement:

- New businesses must invest a minimum of $500,000 in capital assets. For an existing business that is expanding, the investment in capital assets is a minimum of $250,000 (NRS 274.310 through 274.320).
- The business must hire one or more dislocated workers, pay a wage of not less than 100 percent of federally designated levels and provide medical benefits to the employees and their dependents which meet the minimum requirements (NRS 274.330).

All abatements granted to eligible businesses terminate upon determination that the business has ceased to meet eligibility requirements for the abatement. The business shall refund the abatement amount for each month, or portion thereof, from the last day of the month following the period for which the payment would have been made had the partial abatement not been approved until the date of the payment of the tax. These refund payments are also subject to interest at the rate most recently established pursuant to NRS 99.040.

The programs outlined below reflect the requirements and the abatements offered to eligible businesses.

Local Sales and Use Tax Abatement (NRS 374.357 through 374.358) – The tax abatement is on the gross receipts from the sale, and the storage, use or other consumption, of eligible capital equipment. The sale and use tax rates vary by county within Nevada. The abatement reduces the local sales and use tax rate to 2%, which is the State's portion of the tax. Therefore, none of the State's sales and use tax is abated; only local sales and use taxes are abated. The approved business is eligible for tax abatements for not less than 1 year but not more than 5 years beginning the date the abatement becomes effective.

Modified Business Tax Abatement (NRS 363B.120) – The current excise tax imposed on each employer is at the rate of 1.475% on taxable wages over $50,000 in a quarter. A business may qualify for a partial abatement of up to 50% of the amount of the business tax due during the first four years of operations. For a new company, the abatement of the modified business tax applies to the number of new employees stated in its application. For an expanding business, the abatement does not apply to existing employees of the business, but does apply to the number of new employees directly related to the expansion.

Personal Property Tax Abatement (NRS 361.0687) – The abatement can be up to 50% of the tax due, or 75% in certain areas of Economic Development, for not less than 1 year and up to 10 years beginning from when the abatement becomes effective. The applicant must apply for abatement not more than one year before the business begins to develop for expansion or operation in Nevada. The personal property tax abatement applies only to the same list of machinery and equipment eligible for the local sales and use tax abatement allowed under

(Note 16 Continued)

NRS 374.357 or 374.358. Property tax rates vary by taxing district within Nevada. This is effective through June 30, 2017.

Aviation Tax Abatement (NRS 360.753) - The abatement includes local sales and use tax and personal property tax. The local sales and use tax abatement applies to the purchase of tangible personal property used to operate, manufacture, service, maintain, test, repair, overhaul or assemble an aircraft or any component of an aircraft. The personal property tax abatement applies to aircraft and the personal property used to own, operate, manufacture, service, maintain, test, repair, overhaul or assemble an aircraft or any component of an aircraft. The personal property tax abatement can be up to 50% for 20 years on the taxes due on tangible personal property, and the sales and use tax abatement reduces the applicable tax rate to 2% for a similar 20-year period. The local sales and use tax abatement excludes aircraft purchase. This is effective through June 30, 2035.

Data Center Tax Abatement (NRS 360.754) – The abatement includes local sales and use tax and personal property tax. The local sales and use tax abatement applies to the purchase of eligible machinery or equipment for use at a data center. The abatement reduces the applicable tax rate to 2% for a period of 10 or 20 years. The personal property tax abatement applies to personal property located at the center and can be up to 75% of the taxes due for 10 or 20-year abatement periods. The data center will, within 5 years after the date on which the abatement becomes effective, have or have added 10 or more full-time employees who are residents of Nevada, and provide health insurance. The data center must commit to continue operation within the State for a period of not less than 10 years, and must bind successors to the same. This is effective through December 31, 2056.

Capital Investment of at least $1 Billion Tax Abatement (NRS 360.893) – The partial abatements include personal property, modified business, real property, or local sales and use taxes for companies that have a minimum capital investment of $1 billion dollars within 10 years of approval of the abatement application. The personal property, modified business and real property tax abatement can be up to 75% of the taxes due for an abatement period of not more than 10 years. Abatements for local sales and use tax are for taxes imposed on the purchase of eligible personal property and construction materials for an abatement period of not more than 15 years. The State's 2% portion of the sales and use tax is not abated. As a condition of approving a partial abatement of taxes pursuant to NRS 360.880 to 360.896, inclusive, the Executive Director of the Office of Economic Development, if he or she determines it to be in the best interests of the State of Nevada, may require the lead participant to pay at such a time or times as deemed appropriate, an amount of money equal to all or a portion of the abated taxes into a trust fund in the State Treasury to be held until all or portion of the requirements for the partial abatement have been met. Interest and income earned on money in the trust fund must be credited to the trust fund. Any money remaining in the trust fund at the end of the fiscal year does not revert to the State General Fund, and the balance in the trust fund must be carried forward to the next fiscal year. This is effective through June 30, 2032.

Capital Investments of at least $3.5 Billion Tax Abatement (NRS 360.945) – An abatement from personal property, modified business, real property, or local sales and use tax are available to companies that have a minimum capital investment of $3.5 billion dollars within 10 years of approval of the abatement application. The personal property, modified business, and real property tax abatements can be up to 100% of the taxes due for up to a 10-year abatement period. Abatements for local sales and use tax are for taxes imposed on the purchase of eligible personal property and construction materials for up to a 20-year period. The State's 2% portion of the sales and use tax is not abated. This was approved during the 28th Special Session of the State Legislature in 2014, and is effective through June 30, 2036.

Transferable Tax Credits to Promote Economic Development (NRS 231.1555) – Transferable tax credits are available to entities who intend to locate or expand a business in Nevada. The business can apply for credits above or below $100,000 as long as the transferable tax credits do not extend for a period of more than 5 fiscal years per applicant and, in total, do not exceed set amounts each fiscal year as outlined in statute. The transferable tax credits can be applied to modified business, insurance premium and/or gaming percentage fee taxes. The applicant must set forth the proposed use of the credits, the plans, projects and programs for which the credits will be used, the expected benefits, and a statement of short-term and long-term impacts of the issuance of the transferable tax credits.

Film and Other Productions (NRS 360.758 through 360.7598) - A transferable tax credit is available to production companies producing a film, television series, commercial, music video or other qualified production in Nevada. A production may qualify for a transferable tax credit of up to 25% of the qualified direct production expenditures incurred in Nevada if at least 60% of the total qualified expenditures are incurred in Nevada. Principal photography of the production must begin within 90 days after the application is issued. The transferable tax credits issued for qualified film production completed in the State may be used against the modified business, insurance premium and/or the gaming percentage fee taxes.

Economic Development with Capital Investment of at least $3.5 Billion (NRS 360.945 through 360.980) – The 2014 28th Special Session of the State Legislature required the

(Note 16 Continued)

Governor's Office of Economic Development (GOED) to issue transferable tax credits for certain qualifying projects that may be used against the modified business, insurance premium and/or the gaming percentage fee taxes. A qualifying project is required to be located within the geographical borders of the State of Nevada, make a new capital investment in the State of at least $3.5 billion during the 10-year period immediately following approval of the application, employ Nevada residents in at least half of the project's construction jobs and operational jobs, and provides health insurance to all employees. The amount of transferable tax credits is equal to $12,500 for each qualified employee employed by the participants in the project (to a maximum of 6,000 employees), plus 5% of the first $1 billion and 2.8% of the next $2.5 billion in new capital investment in the State made collectively by the participants in the qualifying project. The amount of tax credits approved by GOED may not exceed $45 million per fiscal year (although any unissued credits may be issued in any subsequent fiscal year ending on or before June 30, 2022), and GOED may not issue total tax credits in excess of $195 million. This is effective through June 30, 2036.

Renewable Energy Tax Abatements: The mission of the Governor's Office of Energy is to ensure the wise development of Nevada's energy resources in harmony with local economic needs, and to position Nevada to lead the nation in renewable energy production, conservation, and exportation. In an effort to incentivize the development of renewable energy in Nevada, the program awards partial sales and use tax and property tax abatements to eligible renewable energy facilities. Businesses must make a capital investment of $3 million or $10 million, dependent on the project location.

Local Sales and Use Tax Abatement (NRS 701A.360 through NRS 701A.365) – The abatement applies to the 3 years following the approval of the application in which the applicant will only be required to pay sales and use taxes imposed in the State at the rate of 2.6%, of which 2% is the State's portion of the tax. Therefore, none of the State's sales and use tax is abated. The abatement must not apply during any period in which the facility is receiving another abatement or exemption from local sales and use taxes. The applicant must state that the facility will, after the date on which the abatement becomes effective, continue in operation in the state for a period of not less than 10 years, and bind any successors to the same. This is effective through June 30, 2049.

Real and Personal Property Tax Abatement (NRS 701A.370) – The abatement is for a duration of the 20 fiscal years immediately following the date of approval of the application and is equal to 55% of the taxes on real and personal property payable by the facility each year. The abatement must not apply during any period in which the facility is receiving another abatement or exemption from local sales and use taxes. This is effective through June 30, 2049.

Green Building Tax Abatements: The Governor's Office of Energy administers the green building tax abatement program based on criteria set forth in the Leadership in Energy and Environmental Design (LEED) or Green Globes (GG) rating system and certification from the U.S. Green Building Council or the Green Building Initiative. Both LEED and GG rating systems provide a complete framework for assessing building performance and meeting environmental sustainable goals. They use industry recognized standards for designing, operating and certifying green building projects. The program was instituted in 2007 as an incentive for business owners to improve the energy efficiency of new and existing buildings. To qualify for the tax abatement, applicants must earn a minimum number of points for energy conservation to meet the Silver Level or higher through the LEED rating system or two globes or higher under the GG rating system. LEED and GG building rating systems are based on a set of standards for the environmentally sustainable design, construction and operation of the building.

Real Property Taxes (NRS 701A.110) – Incentives range from 25% to 35% of the portion of taxes imposed pursuant to NRS 361, other than any taxes imposed for public education, for a period of 5 to 10 years, depending on the certification level. The abatement terminates if it is determined that the building or other structure has ceased to meet the equivalent of the Silver Level or higher.

The State's tax abatement programs as of June 30, 2017, on an accrual basis, are summarized in the following table (expressed in thousands):

	Taxes Abated			
Abatement Program	Modified Business Tax	Property Tax	Gaming Tax	Total
Businesses	$ 1,292	$ 76	$ -	$ 1,368
Capital investment $1B	14	-	-	14
Capital investment $3.5B	1,232	-	-	1,232
Renewable energy	-	790	-	790
Green building	-	1,618	-	1,618
Transferable tax credits	-	-	42,073	42,073
Total	$ 2,538	$ 2,484	$ 42,073	$ 47,095

Note 17 - Commitments and Contingencies

A. Primary Government

Lawsuits - The State Attorney General's Office reported that the State of Nevada or its officers and employees were parties to numerous lawsuits, in addition to those described below. In view of the financial condition of the State, the State Attorney General is of the opinion that the State's financial condition will not be materially affected by this litigation, based on information known at this time.

Several of the actions pending against the State are based upon the State's (or its agents') alleged negligence in which the State must be named as a party defendant. However, there is a statutory limit to the State's liability of $50,000 per cause of action through October 1, 2007 and $75,000 per cause of action through October 1, 2011 and $100,000 per cause of action thereafter. Such limitation does not apply to federal actions such as civil rights actions under 42 U.S.C. Section 1983 brought under federal law or to actions in other states. Building and contents are insured on a blanket replacement cost basis for all risk except certain specified exclusions.

The State and/or its officers and employees are parties to a number of lawsuits filed under the federal civil rights statutes. However, the State is statutorily required to indemnify its officers and employees held liable in damages for acts or omissions on the part of its officers and employees occurring in the course of their public employment. Several claims may thus be filed against the State based on alleged civil rights violations by its officers and employees. Since the statutory limit of liability (discussed above) does not apply in federal civil rights cases, the potential liability of the State is not ascertainable at the present time. Currently, the State is involved in several actions alleging federal civil rights violations that could result in substantial liability to the State.

The State is a defendant on several lawsuits associated with the Little Valley fire, which occurred in October 2016. The State intends to defend these lawsuits vigorously. The outcome of the lawsuits is not presently determinable, and as the amount is neither probable nor capable of reasonable estimation, the accompanying financial statements do not include a liability for any potential loss.

Leases - The State is obligated by leases for buildings and equipment accounted for as operating leases. Operating leases do not give rise to property rights as capital leases do. Therefore, the results of the lease agreements are not reflected in the Statement of Net Position. Primary government lease expense for the year ended June 30, 2017 amounted to $45.6 million. The following is the primary government's schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017 (expressed in thousands):

For the Year Ending June 30	Amount
2018	$ 44,998
2019	39,664
2020	31,711
2021	25,210
2022	21,322
2023-2027	51,266
2028-2032	6,574
2033-2037	6,302
2038-2042	6,638
2043-2047	176
Total	$ 233,861

Federal Grants - The State receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the State. As of June 30, 2017, the State is unable to estimate the amount, if any, of expenditures that may be disallowed, although the State expects such amounts, if any, to be immaterial.

Rebate Arbitrage - The Federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the State. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a) is required to be rebated to the U.S. Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date. The present value of the rebatable arbitrage is $1,075,000 and has been recorded as a liability in the Statement of Net Position at June 30, 2017. Future calculations might result in different rebatable arbitrage amounts.

Nonexchange Financial Guarantees – The 1997 Nevada Legislature added NRS 387.513 through 387.528, allowing school districts to enter into guarantee agreements with the State Treasurer whereby money in the Permanent School Fund may be used to guarantee the debt service payments on certain bonds issued by Nevada school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed $40 million. Total bond guarantees

(Note 17 Continued)

at June 30, 2017 were $233.6 million which includes accrued interest of $1.4 million. The bonds mature at various intervals through fiscal year 2042. In the event any school district was unable to make a required payment, the State Treasurer would withdraw from the State Permanent School Fund the amount needed to cover the debt service payment. Any amount withdrawn would be deemed a loan to the school district from the State Permanent School Fund, and the State Treasurer would determine the rate of interest on the loan. Repayment would be taken from distributions from the State Distributive School Account.

Encumbrances – As of June 30, 2017, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	Amount
General Fund	$ 6,617
State Highway	3,463
Nonmajor governmental funds	109
Total	$ 10,189

Construction Commitments – As of June 30, 2017, the Nevada Department of Transportation had total contractual commitments of approximately $170.0 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total $13.2 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2017, NSHE is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, NSHE management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially adversely affect the net position, changes in net position or cash flows of NSHE.

The NSHE 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 2016 on land partially owned by the University of Nevada at Reno. Embers from the fire escaped and burned 23 structures. The NSHE and the State of Nevada share an excess liability policy. At this point it is difficult to estimate the likelihood of an unfavorable outcome and the likely exposure, but the excess liability carrier has been place on notice of these cases.

The NSHE 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 years and projects the rates needed for the coming year. The NSHE uses a third party administrator to adjust its workers' compensation claims.

The NSHE is self-insured for its unemployment liability. The NSHE is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the NSHE budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the NSHE cannot be reasonably determined as of June 30, 2017.

The NSHE 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 NSHE.

The estimated cost to complete property authorized or under construction at June 30, 2017 and 2016 is $94.9 million and $122.5 million, respectively. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

Colorado River Commission (CRC) - The CRC may from time to time be a party in various litigation matters. It is management's opinion, based upon advice from legal counsel, that the risk of financial losses to CRC from such litigation, if any, will not have a material adverse effect on CRC's future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

Nevada Capital Investment Corporation (NCIC) - The NCIC currently has commitments to the Silver State Opportunity Fund of $50.0 million (the First Tranche). As of June 30, 2017, the NCIC has fulfilled $40.1 million of its total commitment. The NCIC has the right, but not the obligation, to increase its capital commitment by which would be effective after the end of the First Tranche (or such other date as the NCIC and Manager may agree). If the NCIC elects to make such an additional commitment, both the amount of the NCIC's additional commitment and an additional commitment from the Manager shall be established by agreement between the NCIC and the Manager (the Second Tranche).

Note 18 - Subsequent Events

A. Primary Government

Bonds – On November 7, 2017, the State issued $115,440,000 in General Obligation Bonds. The 2017A Bonds were issued to finance various capital improvement projects, including construction of a new Department of Motor Vehicles Service Center, and to pay costs of issuance of the 2017A Bonds. The 2017B Bonds were issued to finance costs of environmental improvement projects for the Lake Tahoe Basin, to provide grants for water conservation and capital improvements to certain water systems, to refund certain outstanding bonds and to pay costs of issuance of the 2017B Bonds. The 2017C Bonds were issued to finance property acquisition or capital improvements and renovations by the Division of State Parks; to finance property acquisition, facility development and renovation, or wildlife habitat improvements by the Division of Wildlife; to provide grants for State agencies, local governments or qualifying private nonprofit organizations for various programs, including recreational trails, urban parks, habitat conservation, open spaces and general natural resource protection; to refund certain outstanding bonds; and to pay costs of issuance of the 2017C Bonds. The 2017D Bonds were issued to finance loans to Carson City for sewer projects and to pay costs of issuance of the 2017D Bonds. The 2017E Bonds were issued to provide state matching funds for the State's Safe Drinking Water Revolving Fund program and to pay costs of issuance of the 2017E Bonds. The 2017F Bonds were issued to provide state matching funds for the State's Water Pollution Control Revolving Fund program and to pay costs of issuance of the 2017F Bonds.

B. Discretely Presented Component Units

Nevada System of Higher Education – The Board of Regents, at its September 8, 2017 meeting, approved a resolution authorizing the issuance of up to $29,000,000 of universities revenue bonds to refinance existing bonds for interest savings. The Board of Regents also approved a resolution authorizing the issuance of up to $30,000,000 of Certificates of Participation to finance construction of an engineering building and a university fine arts center at UNR. The Board of Regents also approved a resolution authorizing issuance of up to $75,000,000 of community colleges revenue bonds to fund construction of 3 student unions at CSN. The Board of Regents also approved a resolution authorizing the issuance of a promissory note of up to $15,950,000 to fund the construction of a football complex at UNLV.

C. 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 of OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81), which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 is effective for fiscal years beginning after December 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* (GASB 85), which addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 is effective for fiscal years beginning after June 15, 2017. The anticipated impact of this pronouncement is uncertain at this time.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86), 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 extinguishing debt. This 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. The anticipated impact of this pronouncement is uncertain at this time.

Note 19 - Accounting Changes and Restatements

The State implemented GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*, in the current year. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions to be classified as employee contributions. Accordingly, net position as of July 1, 2016 has been restated for the cumulative effect of this change.

In addition, prior period adjustments were made to correct an error in the State Highway Fund for payroll expenditures recorded in fiscal year 2017 that were for fiscal year 2016, and to correct an error in the Unemployment Compensation Fund for interest income recorded in fiscal year 2017 that was earned in fiscal year 2016.

The following table shows the changes to the beginning net position as of July 1, 2016 for the primary government (expressed in thousands):

	Governmental Activities	Business-type Activities
Net position at June 30, 2016 as previously reported	$ 4,804,920	$ 1,166,231
Deferred outflows of resources representing plan member contributions	(52,711)	(949)
Deferred inflows of resources representing the differences between employer contributions and proportional share of contributions	89,213	1,625
Payroll expenditures	(4,775)	-
Interest income	-	3,022
Net position at June 30, 2016 as restated	$ 4,836,647	$ 1,169,929

The following table shows the changes to the beginning fund balance/net position as of July 1, 2016 for the following major funds (expressed in thousands):

	Major Governmental Fund	Major Enterprise Funds		
	State Highway	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust
Fund balance/net position at June 30, 2016 as previously reported	$ 532,739	$ 501,255	$ 389,602	$ 59,064
Deferred outflows of resources representing plan member contributions	-	-	(20)	-
Deferred inflows of resources representing the differences between employer contributions and proportional share of contributions	-	-	35	11
Payroll expenditures	(4,775)	-	-	-
Interest income	-	3,022	-	-
Fund balance/net position at June 30, 2016 as restated	$ 527,964	$ 504,277	$ 389,617	$ 59,075