

STATE OF NEVADA

Comprehensive

Annual

Financial

Report

**for the Fiscal Year
Ended June 30, 2018**

**Ron Knecht, MS, JD, PE (CA)
State Controller**

State of Nevada

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**RON KNECHT,
MS, JD, PE (CA)**
State Controller

STATE OF NEVADA

JAMES W. SMACK
Chief Deputy Controller



**OFFICE OF THE
STATE CONTROLLER**

January 7, 2019

To the Citizens, Governor and Legislators of the State of Nevada:

In accordance with Nevada Revised Statutes (NRS) 227.110 and the State Accounting Procedures Law (NRS 353.291 through 353.3245), I am pleased to present the State of Nevada Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The objective of this Report is to provide a clear picture of the government as a single, unified entity, in addition to traditional fund-based financial statements.

Introduction to the Report

Responsibility: The Controller's Office prepares the State of Nevada CAFR and is responsible for the accuracy, completeness, and fairness of the presentation, including disclosures. To the best of our knowledge and belief, the information contained in the State of Nevada CAFR is accurate in all material respects and is reported in a manner that fairly presents the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. Additionally, this report includes all disclosures necessary to enable the reader to gain a reasonable understanding of Nevada's financial activities.

Generally Accepted Accounting Principles: As required by State Accounting Procedures Law, this report has been prepared in accordance with generally accepted accounting principles (GAAP), applicable to State and Local Governments as established by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association (GFOA) for the contents of government financial reports and participates in the GFOA's review program for the Certificate of Achievement for Excellence in Financial Reporting.

Internal Control Structure: The State of Nevada has established a comprehensive internal control framework designed to both safeguard the government's assets against loss from unauthorized use or theft, and to properly record and adequately document transactions. As a result, the transactions can be compiled into the presentation of the State's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

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Many of our essential control features are decentralized. Hence, the State relies upon the controls in place within its various departments and agencies. NRS 353A.025 requires the heads of agencies to review their internal controls on a periodic basis to determine if the agency is in compliance with the Uniform System of Internal Accounting and Administrative Controls adopted pursuant to NRS 353A.020. On or prior to fiscal year end of even-numbered years, agencies are required to report the status of their internal controls to the Department of Administration.

Independent Auditors: The independent accounting firm of Eide Bailly LLP has audited the accompanying financial statements in accordance with generally accepted governmental auditing standards. Their opinion appears in the Financial Section of this publication. The goal of the independent audit is to provide reasonable assurance that the financial statements of the State of Nevada are free of material misstatement. We received an unmodified opinion on the basic financial statements for this fiscal year. The independent audit of the financial statements of the State of Nevada is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the financial statements. This report can be found in the Compliance Section of the CAFR, and in the State of Nevada's separately issued Single Audit Report.

Management's Discussion and Analysis: GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. However, as is the normal course of business, the audit by Eide Bailly LLP does not extend to or cover this transmittal letter nor the Controller's Annual Report (CAR) included herein.

Profile of Government

Background: The Nevada Territory was carved out of the Utah Territory by Congress in 1861 and its boundaries were subsequently expanded eastward in 1862 and eastward and southward in 1866. In 1864, Nevada was granted statehood after transmitting its newly ratified constitution to Congress in the longest and costliest transmission by telegraph in history. This allowed statehood to be conferred on October 31, just days ahead of the November 8 presidential election at a time President Lincoln thought he might need Nevada's electoral votes to secure reelection.

The Great Basin Desert dominates the Nevada landscape, with the Sierra Nevada Mountains to the west and the Rocky Mountains to the east. Federal agencies own and control approximately 85 percent of Nevada's 70,264,320 acres, meaning most of Nevada's land area is restricted from use and development by private citizens. Local governments are also unable to collect property taxes on these lands to sustain vital public services, although they do receive less valuable Payments in Lieu of Taxes from the federal government. Due greatly to the shortage of land available for citizens, more than 90% of our 3.0 million residents are squeezed into one of two distinct population centers: the Reno/Sparks/Carson City area near Lake Tahoe and Clark County at the southeast tip, separated by 400 miles.

Nevadans enjoy the absence of a personal income tax but labor under a variety of indirect taxes that are assessed on businesses and thus mostly passed onto consumers in the form of higher

prices and to workers in the form of suppressed wage and employment growth. Nevada has offered a continuous legal market for gaming since 1935, allowing that industry to thrive in the state while also financing a significant share of public services. The State operates under a constitution that provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, public safety, business regulation, and resource development.

Reporting Entity: The State of Nevada, as the reporting entity, conforms to the requirements of GASB Statement No. 14 and No. 34 as amended by GASB Statement No. 61. The accounting and reporting principles reflected in these statements are based primarily upon the fundamental concept that publicly elected officials are accountable to their constituents, and to distinguish between the primary government and its component units. The State's legally separate component units include the Nevada System of Higher Education, Colorado River Commission, and Nevada Capital Investment Corporation. In addition, the Nevada Real Property Corporation is reported as a blended component unit. The State also includes the presentation of its trust and agency funds. The State Legislature sets statutorily the parameters within which all these entities operate.

Financial Information

Debt Management: The State Constitution limits the aggregate principal amount of the general obligation debt to two percent of the total reported assessed property value of the State. Additional disclosures regarding the State's long-term obligations are provided in the notes to the basic financial statements.

Long-Term Financial Planning and Financial Policies: State law (NRS 353.205) requires a balanced budget. The Governor must submit a proposed budget for the Executive Branch to the State Legislature before each regular session, which convenes every odd-numbered year. Spending levels under this Executive Budget proposal may not exceed the amounts that existed during the biennial budget period that began July 1, 1975, adjusted for population growth and inflation. However, the Legislature enacts the budget through passage of the General Appropriations Act and the Authorized Expenditures Act and the legislatively approved budget is not constrained by this growth limitation. Once passed and signed, the budget becomes the State's financial plan for the next two fiscal years.

In accordance with State statute, The Economic Forum, comprised of private economic and financial experts appointed by the Legislature and the Governor, sets the General Fund revenue forecasts which are binding on the budget. If revenues fall below those originally anticipated during the course of the fiscal year, the Governor must revise the budget to ensure that State appropriations do not exceed revenues. If the revisions exceed thresholds specified in NRS 353.220, they must be submitted to the Legislative Interim Finance Committee for approval.

Major State Initiatives

Nevada is working on major transportation projects expected to be completed in coming years, including the massive Project Neon in Las Vegas. These will be followed by the I-11 corridor developments between the two population centers, and the state is developing a comprehensive freight plan. NDOT project schedules are contingent on the availability of funding, including the I-80/I-580 Interchange (also known as the Spaghetti Bowl Xpress), which is likely to be aided

significantly by recent passage of the federal FAST Act. In addition, Nevada has awarded substantial packages of cash grants, tax abatements, and other incentives to a few select private firms, including Tesla Motors and the Raiders football team.

Awards and Acknowledgments

GFOA Certificate of Achievement: The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Nevada for its CAFR for the fiscal year ended June 30, 2017. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements. A copy of the GFOA Certificate of Achievement is included in the Introductory Section of the CAFR. A Certificate of Achievement is valid for only a one-year period. We believe that this current CAFR continues to meet the requirements of Certificate of Achievement Program, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The State also received an Award for Outstanding Achievement in Popular Annual Financial Reporting for its Controller's Annual report (CAR) for the fiscal year ended June 30, 2017. An image of the certificate for that award is included in this year's CAR, which is a part of this CAFR. We believe the current CAR continues to meet the requirements of the Award for Outstanding Achievement and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments and Conclusion: This report would not have been possible without the hard work, dedication and professionalism of my staff and the cooperation and assistance from all State agencies, Executive, Legislature and Judiciary. I sincerely appreciate the efforts of all the individuals involved, especially the Controller's Office staff. We are committed to advancing transparency, accountability, continuity and efficiency in the State's financial operations.

At the end of this introductory section, we present the 2018 Controller's Annual Report (CAR) as an addendum to this Transmittal Letter to provide additional and essential context for users of these statements. It provides a detailed overview of Nevada's performance in specific functional areas, a summary of financial results for the past year, an Economic Outlook for the foreseeable future and policy recommendations.

Sincerely,



Ronald L. Knecht, MS, JD & PE(CA)
Nevada State Controller

STATE OF NEVADA CONSTITUTIONAL OFFICERS



MARK HUTCHISON
LIEUTENANT GOVERNOR



BRIAN SANDOVAL
GOVERNOR



BARBARA CEGAVSKE
SECRETARY OF STATE



DAN SCHWARTZ
TREASURER

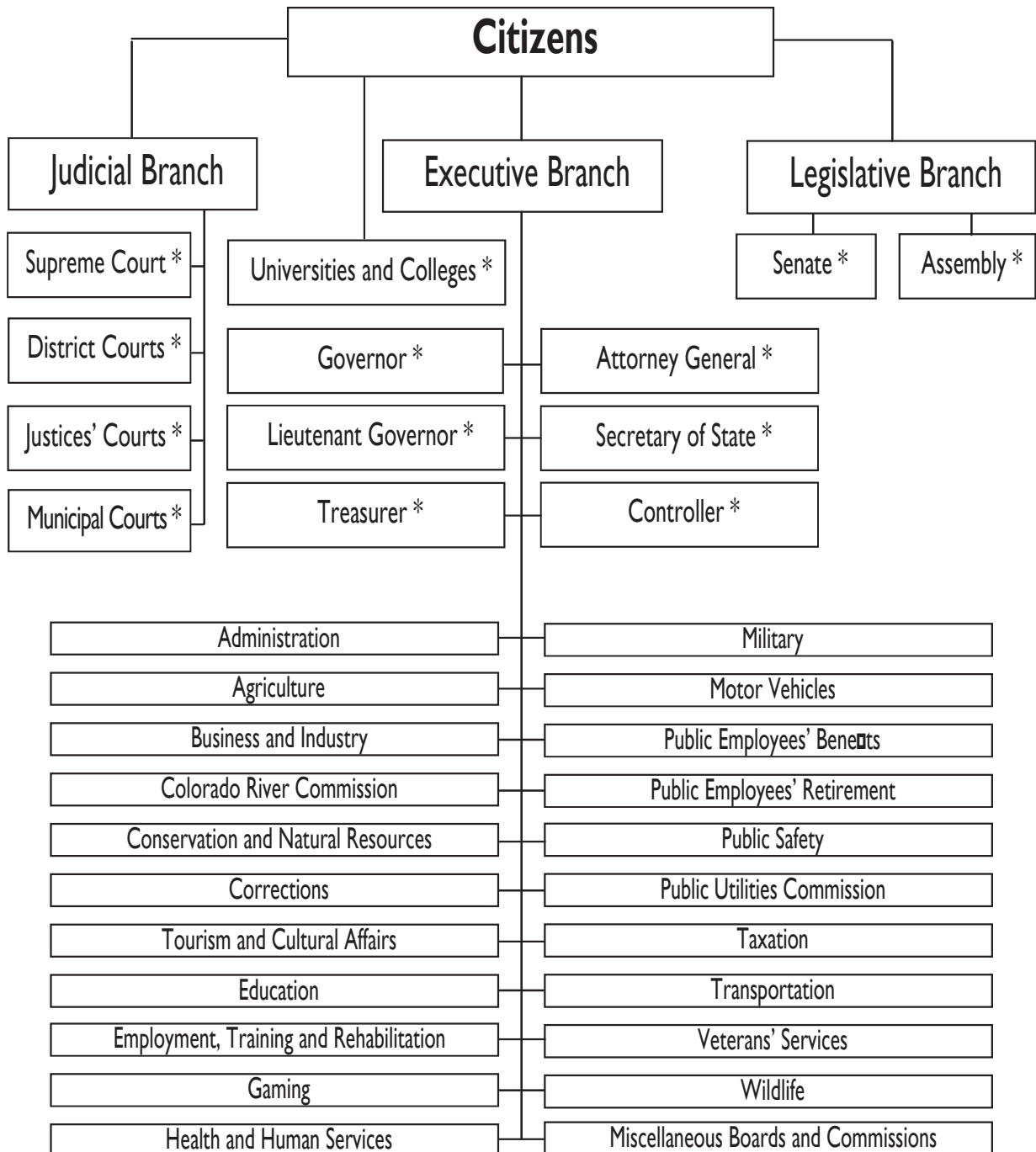


RON KNECHT
CONTROLLER



ADAM PAUL LAXALT
ATTORNEY GENERAL

ORGANIZATIONAL CHART



* Elected Officials



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO



STATE OF NEVADA

CONTROLLER'S ANNUAL REPORT

RON KNECHT, STATE CONTROLLER

FOR FISCAL YEAR ENDED JUNE 30, 2018

HIGHLIGHTS AND TABLE OF CONTENTS

I. State Spending (pages 2-3) – Over the last dozen years, state spending has grown faster than Nevada's economy, thus imposing an ever larger burden on Nevada families and businesses, whose real incomes have declined over that time. Rapid increases in spending on Health and Social Services (HSS) and K-12 education are driving state spending growth. HSS and education (K-12 and higher) grew to comprise 79% of total state spending of \$12.8 billion in FY18, while all other state spending in total declined significantly in real terms since FY06.

II. State Revenues (pages 4-6) – Non-tax revenues – grants and contributions to the state, charges for services and contract revenues – have grown very rapidly (59% faster than Nevada's economy) to comprise 56% of total state FY18 revenues of \$13.6 billion. Total tax revenues grew at the same rate as the state economy, and they provide the other 44%. Gaming and property tax revenues fell sharply in real terms while tax revenues from non-gaming businesses (including unemployment assessments) rose greatly. The burden carried directly by consumers and residents (not including the pass-through effects of business taxes) grew slower than their incomes.

III. Health and Social Services (pages 6-7) – Large amounts of revenues from federal HSS grants cannot be redirected to other areas. HSS spending is the largest category of state spending, and it has grown fastest, driven mainly by federal mandates. Medicaid is 64.5% of the HSS total, and that percentage has increased due to Nevada's decision to embrace provisions of the federal Affordable Care Act of 2010. Nevada Medicaid spending will increase in coming years, and federal funding that has supported it is uncertain, even as it delivers poor health care results. The doubling in the last 25 years of the fraction of national income spent on health care reflects inefficiency from increasing socialization of health care and insurance.

IV. Primary, Secondary and Higher Education (pages 8-9) – State funding of K-12 education has increased at more than twice the rate of incomes of Nevada families and businesses over the long term. Research has continuously demonstrated little correlation between student achievement and spending; so, in the absence of K-12 policy reform, it is unsurprising that the quality of Nevada education has remained low despite major funding increases. Substantial parts of the cost of higher education have been shifted from taxpayers to students and their families in Nevada, as elsewhere. Higher education compensation in Nevada and all states is very high. All

levels of education suffer administrative bloat and operating inefficiency.

V. Public Employee Compensation and Benefits (pages 10-11) – Current compensation of state employees, except those in higher education, is overall at market levels, but higher for lower-level positions and lower for top-end jobs. Nevada local government compensation is among the highest in the nation and continues to require increases in taxes that are already very high. Public Employee Retirement System contributions required of state employees (higher education does not participate in PERS) and from taxpayers continue to rise in real terms. PERS's coverage of local government employees is almost completely paid by taxpayers and is rising to unsustainable levels. PERS relies on high estimates of future investment returns and member growth to hide a growing under-funding problem that threatens financial disaster for Nevada. We propose reasonable levels: 5% expected returns; and 2.5% annual membership growth based on experience. On the other hand, in investment management PERS has rightly embraced indexing in all areas that can be indexed.

VI. Economic Outlook (pages 12-21) – We identify four secular trends that have suppressed U.S. economic growth in the last decade, thus explaining the "new normal" of long-term slow economic growth. The first trend is the continuing growth of government relative to the economy, reflected in public spending, taxes, deficits, debt, regulation of all kinds, and other government interventions. Until 2000, this growing deadweight loss was offset by three growth-inducing factors: 1) demographic and other trends that increased labor-force participation; 2) the growth of financial leveraging (debt); and 3) rapid growth in emerging economies, plus globalization of firms, increasing trade and foreign direct investment. Turnarounds in recent years in all

DEMOGRAPHIC INFORMATION

	FY 2018	FY 2006	% Change
Population (end of fiscal year)	3,056,824	2,522,658	21%
Per Capita Income	46,581	38,535	21%
Debt per Capita	979	1,504	-35%
Personal Income *	142,389	97,211	46%
Gross State Product *	163,386	123,228	33%
Inflation	259	203	28%
K-12 Public School Enrollment	492,416	413,252	19%
Higher Education Enrollment (FTE)**	70,450	62,456	13%

*Figures in Millions

**FTE stand for full-time equivalent



To see additional information, visit: controller.nv.gov

STATE SPENDING

three trends mean they too now create an ever greater drag on our economy and produce slow real economic growth of 2% or less annually (1% per-person). Recent federal reforms may help reverse losses due to government over-reach, if they are maintained and greatly supplemented for decades, but tariff increases and other trade skirmishes will vitiate these reforms. We also address innovation, technological progress and productivity; cost disease; income and wealth distribution; and state-specific data that show Nevada is not an exception to national trends.

VII. Policy Prescriptions (pages 21-23) – Public policy should serve the wellbeing of the people of Nevada and the broad public interest. This means maximizing economic growth, because growth determines aggregate human wellbeing and the policies that maximize it are also those fair to all. Thus, for a long time to come, Nevada needs to rein in the size, scope and reach of government to get it back within optimal levels. We also need to adopt policies

that help reverse the other three long-term adverse secular trends and that move Nevada away from cronyism toward true entrepreneurship and economic dynamism.

This Controller’s Annual Report (CAR) provides Nevada citizens, officials and others a summary of key facts, data, analysis and issues on the state’s fiscal condition and challenges. For additional detail, please see our Comprehensive Annual Financial Report and other materials available at controller.nv.gov. The Controller has a statutory charge to recommend plans for: support of public credit; promoting frugality and economy; better management of the state’s fiscal affairs; and better understanding of them. This CAR first summarizes and analyzes state spending and revenue sources over the last decade, and provides detail and policy recommendations for major spending areas. Then it presents the long-term economic outlook for Nevada. It ends with some policy prescriptions for better serving the public interest and the Controller’s statutory charges.

I. STATE SPENDING: HOW DID NEVADA SPEND YOUR TAX AND FEE DOLLARS?

Table 1 below analyzes Nevada state spending by category. Key conclusions follow.

TABLE 1: NEVADA STATE SPENDING ANALYSIS

State Spending by Category	FY2018 \$ Figures in Millions (1)	FY2006 \$ Figures in Millions (1)	Percent of FY18 Spending	Growth Rate % 2006-18	2006-18 Real Per Person % Growth	% Growth in Tax & Fee Payers' Real Burdens (2)
Health and Social Services	\$ 5,844	\$ 2,199	46	166	70	81
K-12 Education (3)	2,344	1,240	18	89	24	29
Law, Justice and Public Safety	729	578	6	26	-19	-14
Higher Education (3)	718	706	6	2	-29	-31
Unemployment Insurance	298	239	2	24	-20	-15
Recreation, Interest & Miscellaneous	368	404	3	-9	-42	-38
Regulation of Business	148	102	1	45	-7	-1
General Government	288	371	2	-22	-50	-47
Transportation	851	508	7	68	7	15
Subtotal	11,588	6,347	90	83	17	25
Discretely Reported Component Units						
Higher Education, Net of Payments from State of NV (3)	1,193	594	9	101	39	37
Other Discretely Reported Component Units	47	125	1	-63	-74	-74
Discretely Reported Component Units Total	1,240	719	10	72	20	18
State Total Spending (Gov., Bus., Disc.)	\$ 12,827	\$ 7,066	100	82	16	24
Subcomponents and Statistics of Interest						
All Other Gov't. (Except HSS, K12 & NSHE)	\$ 2,729	\$ 2,328	21	17	-25	-20
Nevada Economy: Personal Income (FY) (\$M)	\$ 142,389	\$ 97,211	NA	46	-6	NA
Nevada Economy: Gross State Prod. (FY) (\$M)	\$ 163,386	\$ 123,228	NA	33	-15	NA
Inflation (BLS West-Urban CPI-U Index, FY)	258.9	202.6	NA	28	NA	NA
Nevada Population (FY average)	3,027,432	2,477,401	NA	22	NA	NA
Nevada K-12 Students (Fall Count)	492,416	413,252	NA	19	NA	NA
NSHE FTE Students (Fall Count)	70,450	62,456	NA	13	NA	NA

(1) Data are taken from CAFR and CAFR workpapers. For consistency, Cultural Affairs spending is reported both years under General Government, where it is now classified; before 2014, the CAFR included it under Education. Also, for consistency, Nutritional Education Programs are classified both years under K-12, as they were before 2014, although they are now classified as Regulation of Business for CAFR reporting.

(2) These percentage changes are not due to inflation, population growth, increase in student or HSS client head counts, etc. They are the changes in the Nevada tax-and fee-payers' burdens in addition to increases in those burdens to cover inflation, population, etc. These percentages are computed based on personal income; if they were computed based on GSP, the increase in burden would be greater because GSP grew slower over the 2006-18 decade than personal income (33% versus 46%).

(3) Real Per-person Growth Rates computed based on state population figures for all categories except K-12 and Higher Education, which are based on student head counts.



To see additional information, visit: controller.nv.gov

STATE SPENDING

1. Health and social services and all education accounted for 79% of FY18 state total spending of \$12.8 billion.

Their growth totals 93% of the growth in state total spending from FY06 to FY18. In FY18, HSS consumed 46% (\$5.8 billion), with primary and secondary (K-12) education taking 18% (\$2.3 billion) and higher education another 15% (\$1.9 billion). All other activities – law, justice and public safety, transportation, unemployment insurance, general government, regulation, etc. – total 21% (\$2.7 billion).

2. HSS and K-12 spending grew rapidly while all other government spending, the Nevada economy and the wellbeing of Nevadans declined significantly.

The chart below displays the annual state spending growth by major category in real per-capita terms over the last twelve years. Table 1 shows the twelve-year real per-person growth totals: increases in HSS (70%) and K-12 (24%) drove up state total spending (16%), with higher education total spending growing at the rate of the economy, while all other total state spending declined (-25%; although transportation grew 7%). Meanwhile, personal income of Nevadans (-6%) and gross state product (-15%) also contracted significantly.

3. Most importantly, the burden of state spending on Nevada families and businesses, driven by HSS and education, was 24% higher relative to their incomes in FY18 than in FY06.

The right-hand column of Table 1 shows the growth in spending on each category as compared to incomes of Nevadans. The growth in burden from HSS spending was 81%. For K-12, it was 29%. Higher education saw a 6% decrease. The total of all other state spending grew 20% slower than incomes. These burden figures mean that, besides covering spending increases due to inflation and growth in HSS client and student headcounts, rising HSS and K-12 spending required families and business to pay taxes and fees 24% higher in FY18 than in FY06.

The following points also are noteworthy:

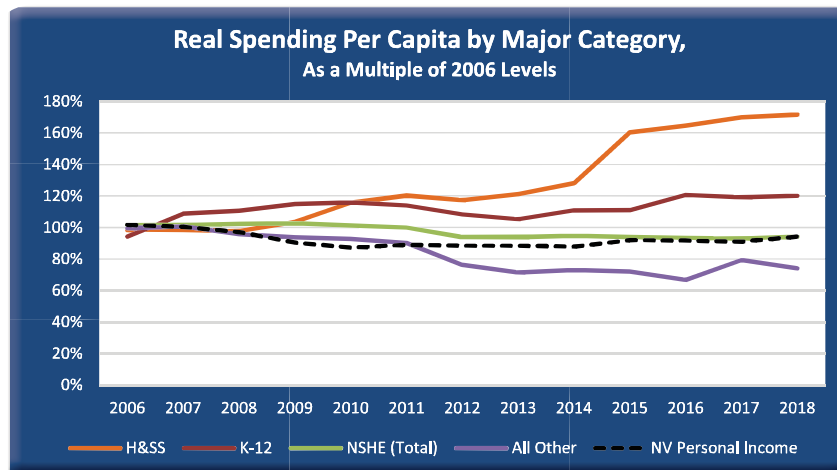
- More than \$3.77 billion (64.5%) of HSS monies was spent on Nevada Medicaid. This spending will likely continue to rise in coming years due to the state's decision to expand eligibility pursuant to the federal Affordable Care Act (Obamacare). However, federal contributions toward this spending decreased in 2018 and will continue to do so, requiring additional state dollars.

- More than \$1.6 billion (69%) of K-12 funds was paid from the Distributive School Account to county school districts to supplement their local revenues. By various measures, Nevada K-12 education continues to deliver poor results, despite rapid increases over the last decade in state K-12 spending. Despite the well-known lack of statistically significant correlation between spending and student achievement, in 2015 and 2017 the Legislature and Governor further increased K-12 budgets by hundreds of millions of dollars through FY18.

- Total higher education spending rose 37% over the dozen years, but the state-funded portion rose less than 2%. Large increases in tuition and fees, grants and contracts, and self-supporting operations (meal plans, housing, ticket sales, etc.) shifted significant portions of the cost burden from taxpayers to students and their families, who get most of the benefit of the services.

- Transportation spending rose from \$508 million in FY06 to \$802 million in FY12 before falling to \$180 million in FY16 and then rising back to \$851 million in FY18. Much transportation spending is capital investment in large projects, so there is no trend in annual spending.

- Unemployment insurance costs rose nearly ten-fold from \$239 million in FY06 to \$2.233 billion in FY12, before falling to \$298 million in FY18. The 24% growth rate in spending in FY06 to FY18 for UI is only a small part of the state spending growth total, and it was driven mainly by the Great Recession, poor recovery and federal UI policy. There is no meaningful time trend in UI spending.



To see additional information, visit: controller.nv.gov

STATE REVENUES

II. STATE REVENUES: WHERE DID THE STATE GET THE MONEY?

Table 2 below presents a comprehensive state revenue analysis. Revenues are classified either as program revenues, which include charges for services and grants and contributions received by the state, or as general revenues, which include mainly taxes and also smaller miscellaneous items. Both program and general revenues come from governmental activities, business-type activities of the state,

and three entities that file separate accounting reports in addition to the state accounting reports covering primary government spending. These entities are called discretely presented component units, and the Nevada System of Higher Education (NSHE) accounts for nearly their entire total.

The points below emerge from Table 2.

TABLE 2: NEVADA STATE REVENUE ANALYSIS

State Revenues by Category	FY2018	FY2006	Percent	Growth	2006-18	% Growth in
	\$ Figures in Millions (1)	\$ Figures in Millions (1)	of FY2018 Revenues	Rate % 2006-18	Real Per Person % Growth	Tax & Fee Payers' Real Burdens (2)
Program Revenues						
Governmental Charges for Services	\$ 901	\$ 769	7	17	-25	-20
Governmental Grants & Contributions (Op'g & Cap.)	5,296	1,875	39	182	81	93
Business-type Charges for services	134	99	1	36	-13	-7
Business-type Grants & Contributions (Op'g only)	83	103	1	-19	-48	-45
Discretely-presented Units Charges for Services	768	531	6	45	-7	-1
Discrete-unit Grants & Contributions (Op'g & Cap.)	514	378	4	36	-13	-7
Total Program Revenues (Gov., Bus., Disc.)	7,696	3,755	56	105	31	40
General Revenues & Other Net Position Changes						
Discretely Presented Units (NSHE, CRC, NCIC)	815	814	6	0	-36	-32
Less: Payments from State of Nevada (Primary Gov)	(706)	(706)	-6	0	-36	-32
Net, Discretely Presented Units	109	108	1	1	-36	-31
Governmental Activities	5,035	3,615	37	39	-11	-5
Business-type activities	790	334	6	136	51	61
Total General Revenues (Gov., Bus., Disc.)	5,934	4,057	44	46	-6	0
Total Program & General Revenues	\$ 13,630	\$ 7,812	100	74	12	19

(1) Data are taken from CAFR and CAFR workpapers. Data for Discretely Presented Units covers NSHE, (by far the largest component) CRC and NCIC.

(2) These percentage changes are not due to inflation, population growth, increase in student or HSS client head counts, etc. They are the changes in the Nevada tax- and fee-payers' burdens in addition to increases in those burdens to cover inflation, population, etc. These percentages are computed based on personal income; if they were computed based on GSP, the increase in burden would be greater because GSP grew slower over the 2006-18 decade than personal income (33% versus 46%).

1. Government grants and contributions accounted for 39% of total state revenues of \$13.6 billion in FY18, and they grew much faster than all other revenues from FY06 to FY18. Program revenues from government grants and contributions (operating and capital) totaled \$5.3 billion in FY18. This revenue increased more than \$3.4 billion from FY06, and it accounted for 59% of growth in total state revenues. These revenues are mainly comprised of federal government funding for Medicaid, Supplemental Nutritional Assistance (SNAP, or food stamps) and Temporary Assistance for Needy Families (TANF), and they are the revenue side of much of the increase in state HSS spending discussed above. That is, much of this spending is driven by federal mandate and also funded by federal government taxpayers, including Nevadans. A notable risk is that federal funding is sometimes reduced, but federal mandates rarely are. Now and in coming years, Nevada faces just such a problem with Medicaid revenues and spending.

2. Charges for services, grants and contracts for higher education comprise 9% of total state revenues, and they also grew rapidly. Program revenues totaled \$1.236 billion for NSHE in FY18, an increase of 36% (\$0.33 billion) over the last dozen years.

3. Other program revenues amount to 8.5% of total state revenues, and they grew very slowly. Other program revenues of \$1.164 billion grew only 21% (\$0.204 billion) since FY06, much less than the 34% nominal growth in incomes.

4. In sum, increases in program revenues, driven mainly by HSS and to a lesser extent by higher education receipts grew rapidly while tax revenues grew only at the rate of the economy. In FY06, most state revenues came from taxes. But over the last dozen years, program revenues grew 105%, becoming 56% (\$7.7 billion) of total state revenues. General revenues, consisting mostly of taxes, grew only 46% (\$1.9



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STATE REVENUES

billion) and now account for only 44% (\$5.9 billion) of the state total spending (\$13.6 billion). Although past spending growth was supported mainly by increasing grants and contributions, the 2015 tax increases, plus uncertain federal support will place more burden of future spending growth on taxpaying families and businesses.

Table 3 presents analysis of state taxes by source. There is no definitive source for the right level of taxes relative to

incomes and the economy. However, as discussed in the section below on the economic outlook, the overall level of state and local taxes in the U.S. is already well above public-interest levels, yet still rising. In Nevada, local-government taxes are the really big problem (due to high spending and employee pay and benefits), and state taxes have been a lesser problem. Turning to trends, Table 3 shows the points stated below:

TABLE 3: NEVADA STATE TAX ANALYSIS

Taxes Analysis	FY2018	FY2006	Percent of	Growth	2006-18	% Growth in
	\$ Figures in	\$ Figures in	FY2018 Gen.	Rate %	Real Per	Tax & Fee
	Millions (1)	Millions (1)	Revenues	2006-18	Person %	Payers' Real
					Growth	Burdens (2)
Sales and use taxes	\$ 1,341	\$ 1,098	24	22	-20	-16
Gaming taxes	869	1,003	15	-13	-44	-41
Modified business taxes (3)	584	255	10	129	49	57
Insurance premium taxes	395	238	7	66	8	14
Property and transfer taxes	278	319	5	-13	-43	-40
Motor and special fuel taxes (3)	428	298	8	44	-6	-2
Liquor and tobacco taxes	223	161	4	38	-10	-5
Net proceeds of minerals tax	91	20	2	355	196	212
Auto lease and lodging taxes (3)	260	44	5	491	285	305
Commerce tax	205	-	4	NA	NA	NA
Unemployment assessments	702	367	12	91	25	31
Other taxes	272	172	5	58	3	9
Total Taxes	\$ 5,647	\$ 3,975	100	42	-7	-3

(1) Data are taken from CAFR and CAFR workpapers.

(2) These percentage changes are not due to inflation, population growth, increase in student or HSS client head counts, etc. They are the changes in the Nevada tax- and fee-payers' burdens in addition to increases in those burdens to cover inflation, population, etc. These percentages are computed based on personal income; if they were computed based on GDP, the increase in burden would be greater because GDP grew slower over the 2006-18 decade than personal income (33% versus 46%).

(3) Modified business taxes were increased significantly in 2010 and new motor vehicle and short-term-vehicle rental and transient-lodging taxes were also added in that year. These changes affect growth and burden rates.

1. The burdens on consumption and on persons of state taxes declined in the last decade. Revenues from the following key taxes fell significantly relative to the growth in incomes: sales and use, gaming and property. The incidence of these declining tax revenues lies greatly with consumption, not with savings, investment and employment; and on persons, not businesses.

2. To compensate for this decline, the state added new levies and increased taxes mainly on savings, investment and employment and on business. It did so via the modified business tax (MBT, which mainly taxes employment) and unemployment assessments; and also partly via the commerce tax, levies on auto leasing, lodging and insurance premium taxes. The large hike for unemployment assessments, was driven mostly by federal mandate. The upshot is that the growth of total tax burden is trending down, but that trend masks a shift of burden from consumption to savings, investment and employment; and from persons to business.

3. Special note on the commerce tax. Claims have been made that repealing the commerce tax, as some folks have proposed, would cause significant harm to K-12 education and that people seeking repeal should state what spending they will cut if the tax is repealed. These claims are wholly false and misleading. There is no direct connection between commerce tax revenues and state K-12 spending; commerce tax revenues flow into the general fund, not an education account. Also, the Legislative Counsel Bureau has determined repealing the commerce tax, considering that it reduces MBT revenues, would cut revenues by \$161 million in the first year and \$97 million in the second year. These figures are 60% and 36%, respectively, of the annual growth in state revenues, and revenues are growing faster than the Nevada economy. Hence, eliminating the commerce tax would require only that state total spending grow at about the rate of the incomes of Nevada families and businesses, and it would not require any cuts at all in current spending.



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HEALTH AND SOCIAL SERVICES

4. The shift in tax burden from consumption to investment and employment and from persons to business diminishes tax neutrality. Neutrality is important because maximizing economic growth and fairness requires that taxes influence as little as possible the spending-versus-savings, investment and employment choices people and firms would make without them. The choices they would make in markets without taxes would maximize economic growth and also maximize aggregate human wellbeing and fairness, the fundamental public policy goals. Since individuals overwhelmingly use their dollars for consumption versus savings and investment, and businesses spend much of their revenue on goods and services, taxes should fall mainly on consumption of goods and services, and less on savings, investment and employment.

5. The shift in tax burden from consumption to investment and employment and from persons to business also diminishes transparency. Transparency is fostered by taxing people, not business; as economists note, businesses don't so much pay taxes in the sense of actually

absorbing their economic burden as they collect them for the government from consumers via increased prices and from employees by lower employment and compensation. So, taxing people directly increases transparency, accountability and economic growth by minimizing distortions, economic inefficiency and reductions in investment and employment caused by using businesses as the tax middlemen.

6. With ten taxes accounting for 2% to 24% of general revenues in Table 3, and considering their incidence mainly on persons and consumption, Nevada's tax base can be called reasonably well diversified. Such diversity is important for the optimal balance between stability of public revenues and the revenue constraints that government needs to make it operate efficiently and not grow unduly large. Diversity also keeps rates generally low and the base broad, but in Nevada that benefit is offset by limiting the range of goods and services to which the largest tax revenue source, sales and use taxes, applies. So, no strong conclusion can be pronounced on this criterion.

III. HEALTH AND SOCIAL SERVICES

HSS has been the fastest-growing category of expenditures since FY10 in Nevada, and this growth continued in FY18. In total, Nevada spent \$5.8 billion on these services in FY18, up from \$2.2 billion in FY06. Much of this spending is financed through federal grants to support programs like Medicaid, food stamps and other welfare programs. At present, as Nevada spends money on these programs, the state gets some reimbursement from their federal sponsors. However, the reimbursements do not compensate Nevada fully for all expenditures, and certain programs such as Medicaid require proportional state commitment.

1. Medicaid is Nevada's largest single expenditure, and accounts for 64.5% of the health and social services total. Federal operating grants to support this program fluctuate each year according to a formula based on the per capita income in each state. States with lower incomes are entitled to have a larger proportion of Medicaid costs reimbursed, but in no case does the federal reimbursement rate fall below 50% of eligible costs. For 2018, the reimbursement rate to Nevada was 65%, up from 54% percent in 2006. A prolonged decline in Nevada per capita incomes relative to the nation drove this increase in federal Medicaid financing. However, this also means that any prospective robust recovery in Nevada incomes will cause state Nevada taxpayer spending for Medicaid to rise even more rapidly.

2. The long-term rise in Medicaid spending has been accentuated by a rapid escalation within the past few years due to the expansion of eligibility parameters. Historically, states that elected to participate in Medicaid were required to cover only certain highly vulnerable populations, including the elderly, disabled and children living below the poverty level. The federal Affordable Care Act of 2010, however,

encouraged states to expand eligibility rules to cover all individuals with incomes up to 138% of the federal poverty level, including single, childless, working-age adults with no disabilities. The ACA offered full reimbursement of eligible state expenditures for this expansion population through 2016. Federal reimbursements then fall to 95% in 2017, 94% in 2018, 93% in 2019 and 90% by 2020 and beyond. There remains some question as to whether these enhanced reimbursement rates will continue under a Republican senate and president, especially given the projections of increasing federal deficits.

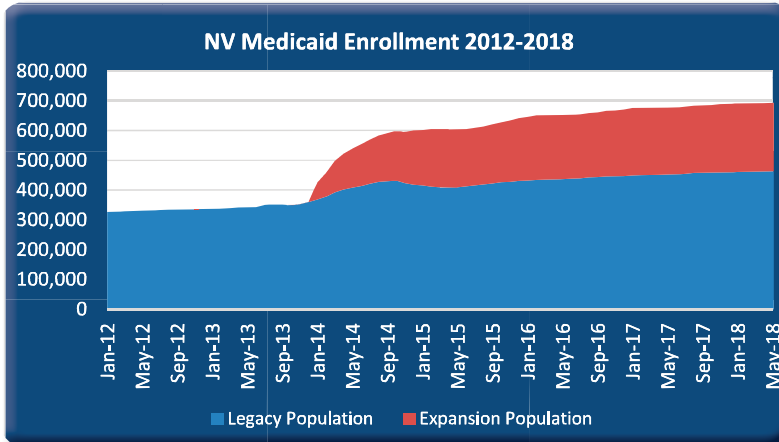
In 2013, Gov. Brian Sandoval and Nevada lawmakers chose to expand Medicaid eligibility along the guidelines outlined in the ACA. Since that time, Nevada's Medicaid enrollment has nearly doubled, growing from 350,234 at the start of FY14 to 680,689 in November 2018, as shown in the graph atop the next page. A portion of this increase is attributable to growth of the legacy population, which grew by 107,106 persons over the period. Although many of these individuals had been previously eligible for coverage, new federal tax penalties for failing to acquire health insurance prompted enrollment, which they had previously spurned. This legacy population is subject to the standard federal reimbursement rate, whereas the 223,349 persons who enrolled as part of the expansion population get Nevada the enhanced rate.

3. Expanded availability of publicly funded health care benefits has occurred alongside a decline in rates of private insurance coverage and other private spending. In 2008, 68.6% of Nevadans held private insurance coverage. That rate remained steady through the end of the Great Recession in 2009 but fell to just 61.5% by 2012 before rebounding partially to 64.5% in 2015. One



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HEALTH AND SOCIAL SERVICES



explanation is that the mandates included in the ACA led to the closure of many private insurance plans and temporarily left policyholders without coverage until some purchased new, ACA-compliant plans. But the concurrent enrollment growth in Medicaid and other public health plans suggests that greater availability of these plans has displaced many consumers who previously could afford private insurance. In 2015, 33.5% of Nevadans were enrolled in some form of public health plan, up from just 20.6% in 2008.

4. There is evidence that expanding Medicaid to additional populations does not improve health outcomes and only further endangers the most vulnerable populations.

Medical reviews reveal that outcomes are better for holders of private insurance policies than for beneficiaries of public health plans. Mortality rates for surgical procedures are nearly three times higher for Medicaid beneficiaries than for private insurance holders and even higher than for uninsured individuals.

Policymakers have historically squeezed provider reimbursement rates as a cost-control method for Medicaid, while expanding Medicaid eligibility rules. One outcome of this approach is that some health care providers, including the most talented, refuse to accept Medicaid patients. The result is growing demand for Medicaid services as eligibility rules have widened while the supply of providers within the network has contracted. The resulting supply shortage has fueled widespread reports of Nevadans who nominally have coverage through Medicaid

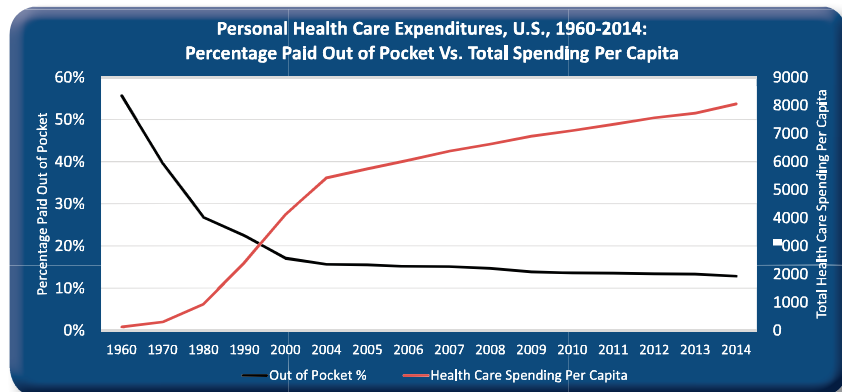
but who cannot get care. Thus, the increased competition for care wrought by eligibility expansion harms the most vulnerable populations who were previously eligible and who now face reduced access to care.

5. Whether public or private, most health care plans today are more accurately described as third-party-payer plans than insurance.

Insurance is a voluntary pooling of risks by participants to hedge against unforeseen events, but public and private health care plans offer payment for routine and foreseeable treatment, as distinguished from risk outcomes. These arrangements encourage individual participants to seek superfluous care because the cost

of additional care is socialized among the group. This perverse incentive, called “moral hazard” by economists, leads to rapidly escalating premiums for private plans and very swiftly increasing demands on tax revenues to finance public plans.

Decades ago, most personal health expenditures were financed out-of-pocket by individuals without third-party payer arrangements. Wage controls imposed nationally during World War II inspired employers to offer non-wage benefits, including all-inclusive health care packages, to attract and retain workers. As this system of employer-sponsored third-party payers has grown alongside public health programs, the costs of health care have skyrocketed, doubling as a fraction of our national economy in the last 25 years. The chart below reveals the near-perfect inverse relationship between the percentage of care financed by individuals’ out-of-pocket spending and the nationwide cost of health care per capita.



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PRIMARY, SECONDARY AND HIGHER EDUCATION

IV. PRIMARY, SECONDARY AND HIGHER EDUCATION

Primary and secondary education has been the second fastest-growing category of state expenditures over the past decade, growing from \$1.24 billion in FY06 to \$2.34 billion in FY18. On a per-student basis, and without considering local funding, state spending for K-12 education increased from \$3,172 to \$4,760 over this period. Meanwhile, Nevada's ranking against other states in terms of student achievement has failed to improve significantly. In 2007, Nevada eighth-graders ranked 44th nationally in their performance on the federally administered National Assessment of Educational Progress (NAEP) reading and mathematics evaluations. By 2015, those rankings rose only to 43rd in reading and 41st in mathematics.

These facts show that Nevada has failed to translate higher spending for education into improved results. That's also true for the rest of the nation. Also, as shown in Table 4, among member countries to the Organization for Economic Cooperation and Development (OECD), the United States spends the fourth-highest levels per student but has below-average academic performance. Japan, the highest achieving nation, spends only 81.6% as much as the US per child.

times as much testable progress in a school year as those with average teachers. Harvard scholars have found that the best teachers are able to deliver effective instruction regardless of class size. So, Nevada's educational priority should remain the recruitment and retention of highly talented educators. Nevada should relax its current restrictions on who can receive a teaching license so schools can recruit from a wider array of professionals. Schools should also be freed to offer attractive compensation packages to attract the most talented professionals. Strict, formulaic salary schedules, especially those that reward job longevity instead of excellence, give insufficient flexibility to administrators looking to recruit top talent. Current pay arrangements for teachers also award a disproportionate share of compensation as benefits, as opposed to salary, even though many teachers would prefer greater salary to benefits. So, these strictures should also be relaxed.

2. Families are the consumers of public education, and each individual family is most familiar with its specific needs. Therefore, the allocation of education dollars among many alternatives, all subject to economic scarcity,

is most efficient when consuming families are free to exercise choices over various educational offerings in the marketplace, just as with other consumer goods and services. Schools of choice, including both private and public charter schools, frequently operate at lower cost than

**Table 4: Per-Pupil Spending and Student Achievement -- Data Available for 33 OECD Countries
Results of the OECD's Programme for International Student Assessment (PISA, 2015)**

Rank by Total Score	Country	Expenditures per Pupil, 2014, in US Dollars	Mean PISA Maths Score	Mean PISA Reading Score	Mean PISA Science Score	Mean PISA Total Score	\$/Point, Mean PISA Total Score	Ratio, Mean PISA Total to OECD Mean	Rank by Per-pupil Spending
1	Japan	\$9,934	532	516	538	1587	\$6.26	1.08	15
2	Estonia	\$6,991	520	519	534	1573	\$4.44	1.07	24
3	Canada	\$10,440	516	527	528	1570	\$6.65	1.06	12
4	Finland	\$9,779	511	526	531	1568	\$6.24	1.06	16
5	Korea	\$10,030	524	517	516	1557	\$6.44	1.06	13
23	United States	\$12,176	470	497	496	1463	\$8.32	0.99	4
	OECD Average	\$9,302	490	493	493	1476	\$6.30	1.00	NA

1. To improve the effectiveness of its education spending, Nevada must allocate that spending toward programs that have been shown to boost student achievement.

Factors beyond the direct influence of education policies, including the household income levels of students, can greatly influence student achievement. But these factors are largely beyond the ability of schools to change and must be addressed through economic policies to encourage growth, entrepreneurship, labor-force participation and economic dynamism. Education policy must focus on the school-controlled variables that lead to improvements in student achievement in a cost-effective manner.

The academic literature shows no school-controlled variable has a greater influence on student achievement than the quality of the teacher. Peer-reviewed statistical studies show that students lucky enough to have a top teacher make 1.5

traditional public schools and produce higher student achievement. Of the twelve random-assignment studies to date on school choice, six have determined that all student groups benefit from participation in choice programs, five have found some groups benefit and one found no visible impact. No study has found that choice negatively impacts student performance.

Nevada took a major step toward introducing consumer choice into the education marketplace when the 2015 Legislature created a system of universal Education Savings Accounts. These publicly funded, but privately held accounts promised to separate the public responsibility of financing education from the physical administration of schools. There is wide agreement that the public should provide basic education to citizens. However, this can be accomplished through means other than government administration of



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PRIMARY, SECONDARY AND HIGHER EDUCATION

regional school monopolies, and experience has shown this arrangement leads to curricular politicization and fiscal bloat. Unfortunately, the Nevada Supreme Court upheld an injunction on the program until the Legislature can approve an alternative financing mechanism that does not divert funds first appropriated to the state Distributive School Account, which legislators failed to do in their 2017 session.

3. Strong evidence exists that technology-assisted learning leads to better student outcomes while also easing the workload on classroom teachers so they can more easily manage larger classes. A major 2010 study by the U.S. Department of Education found that “on average, students in online learning conditions performed better than those receiving face-to-face instruction.” Students enrolled in online classes tend to spend more time on task and are able to move at their own pace, improving the effectiveness of class time. Further, online learning can lower the facilities and transportation costs faced by schools and parents and bring more students from remote locations into contact with the best educators from across the globe.

A major initiative by the 2015 Legislature sought to modernize Nevada public schools by appropriating \$48 million to provide electronic devices for students. However, the initiative failed to recognize the cost reductions and productivity enhancements that should result from technology-assisted learning. Instead, the initiative was a single component of a larger package that continued to increase spending on the same cost items for which digital devices should reduce needs.

4. The 2015 Legislature was billed as “The Education Session,” but only a subset of the new programs enacted are associated in academic literature with improved student performance. The others appear designed instead to appease special-interest political constituencies by spending hundreds of millions of dollars to create new positions at existing public schools. Those programs most clearly supported by academic research include Education Savings Accounts, the creation of an Achievement School District to transform failing public schools into successful charter schools and a Charter School Harbor Master Fund to attract highly successful charter school operators into the state. Others, including the provision of digital devices to students and a policy that students be literate before exiting third grade, were implemented in ways that ignored their cost-saving potential, while still more new initiatives needlessly inflated the costs of the public education bureaucracy.

5. Nevada has significantly increased revenues extracted from higher education students and their families to reduce general revenue spending for higher education in real terms. Depending on the metrics used, the cost of undergraduate instruction was split about 2:1 between

taxpayers and students and their families a decade ago. With great increases in tuition and fees over the last decade, the ratio is now about 1:1. There is no standard yet devised for determining the “right” ratio. However, as a general rule, as students leave K-12 and move into undergraduate and then graduate or professional studies, public subsidy ratios generally decline. That is certainly the case in Nevada. This is consistent with the view that with additional schooling, especially beyond primary and secondary levels, the total social benefits from incremental education accrue more to the individual receiving that education than to the rest of society. However, with the cost allocation having changed so much in a decade, it is reasonable to halt that trend and address the issue of what ratio at each level is optimal – i.e., contributes most to economic efficiency (growth) and fairness. We hope that the NSHE and its institutions promptly stop tuition and fee increases and undertake such study.

Nevada higher education has also greatly favored universities over community and state colleges. In the wake of the Great Recession, funding especially of the smaller community colleges was most sharply cut because they lack enough strong advocates among the regents, legislators, executive and NSHE administration. Because those sectors are much dominated by alumni of the two universities and include many fewer community or state college graduates, the political attention for higher education in Nevada has degenerated into a continuing University of Nevada-Reno vs. University of Nevada-Las Vegas regional battle, and the two universities have reaped the benefits of the post-recession economic recovery in Nevada. The community and state colleges have sought to find additional missions in early college (for high school students) and career and technical education. These changing missions may be a healthy development, but nonetheless the community and state colleges deserve better allocations of funding relative to the universities than is provided under the NSHE formula. The formula should be scrapped because it has no sound theoretical basis or quantification, and a new allocation approach that has those characteristics should be adopted.

As does all of U.S. higher education, Nevada’s suffers from administrative bloat and excessive salaries, plus preoccupation with trivia such as micro-aggressions, trigger warnings and safe spaces, and identity politics. Also consistent with higher education elsewhere, compensation levels in higher education are above those in other public service and in private business. Nevada’s two universities are proud they recently became Carnegie Tier I research universities, a decent accomplishment. However, they continue to rank in the middle and low ranges in various national and international surveys of colleges and universities. The good news is they continue to expand the ranges of undergraduate, graduate and professional studies they offer.



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EMPLOYEE COMPENSATION AND BENEFITS

V. PUBLIC EMPLOYEE COMPENSATION AND BENEFITS

Previous sections of this CAR addressed Nevada spending by its purposes. Here we address the overall level of public-employee compensation, and especially the portion of that compensation managed by the Public Employee Retirement System (PERS). Both total compensation and retirement funding have long presented serious challenges to governments around the world, for state and local as much as federal governments. The good news is that, while Nevada also faces these challenges, it is doing one key thing right, as discussed below, and is in a better position than most states to meet its challenges.

Current Compensation Levels: Annual compensation, excluding benefits, for Nevada state employees (except those in higher education) is comparable to private-sector levels in our state and below average for public-employee compensation of other states as a group. Public employee compensation, excluding benefits, paid by Nevada local governments and higher education is greatly higher than that for Nevada state employees and private-sector employees. In fact, Nevada local government compensation is among the highest in the nation, especially when benefits are recognized, because the benefits are also extremely generous. This CAR does not address local-government fiscal matters, but we note that the extreme practices of local governments redound to the disbenefit of the state and to state employees and taxpayers. So, reforms would not only be fairer to state employees and taxpayers, but also help the state manage its fiscal problems. State pay scales are also flatter than those in private enterprise, with entry-level jobs paying more and executive and upper-level professional jobs paying less. So, while state reform may be in order, it is not clear that it would have net fiscal impacts.

Nevada Public Employee Retirement System: Nevada PERS runs various defined-benefit (DB) retirement funding programs, which we address as a group here to focus the key fiscal issues for the state. There are a number of other problems raised by the various aggregating practices of PERS that we can't address in this limited review.

In a retirement program, people put some of their current income into a fund that is invested for maximum risk-adjusted growth of the principal so that after their working/contributing years, they may draw retirement income from it. Under defined-contribution (DC) plans, the retirement draw of plan participants is determined by the amounts put aside and growth of the fund, which is determined mainly by how well the investments have fared. So, DC plans are inherently fair because all the fruits of saving and investment are returned ultimately to participants, and outside parties do not have any opportunity to divert the funds, nor are they

required in any way to subsidize the participants. Under DB plans, participants and the agents who govern the plan are allowed to socialize the risks and results of their saving and investment decisions to taxpayers and to future generations of participants who have no role in savings decisions, nor in managing the investment risks, and thus no opportunity to be fairly protected.

So, DB retirement programs inherently raise the following serious public-policy questions:

- What savings and investment management policies and practices are followed?
- What expected rate of return on future investments – or discount rate (DR) for future liabilities – is used in setting contribution and draw levels? The DR is one of the most important issues for retirement programs.
- What growth in plan membership is assumed? This is also very important.
- What lengths of working and thus contributory participation time, plus lengths of retirement draws are assumed, in addition to the other estimates used?

The DR, membership growth and these other parameters are key in determining the Annual Contribution Rates (ACRs) for currently working plan participants. Unduly high DRs and membership growth estimates used in the past have contributed significantly to lowering past and current taxpayer and employees' required contribution rates, and they will almost certainly raise future taxpayer and employee contributions significantly. The demographic factors also have similar but lesser impacts.

1. Investment Management Policies and Practices: Nevada PERS is doing the important things right in this area. Modern investment theory counsels that in efficient markets, such as investments, one cannot expect to beat the market by consistently reaping higher-than-market-average returns – and one can lose a lot of money by trying. Hence, one should seek essentially to buy a slice of the whole market (or a representative portfolio of it) and thereby come as close as possible to reaping market-average returns by keeping investment-management costs as low as possible. This is known as index-oriented (or passive) management, and the alternative is active management. There isn't space here to review the details, but Nevada PERS has done the best job in the U.S. of implementing index-oriented management on reasonable asset allocations and has realized greater returns than notable actively managed funds elsewhere.



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EMPLOYEE COMPENSATION AND BENEFITS

2. The Discount Rate (DR): Determining the DR is highly controversial, especially in deciding the purpose of discounting and thus what standards shall be used to set the rate. One view is that the purpose is to absolutely assure that plan resources from past contributions and investment returns will always be sufficient to cover all benefits and other claims the system may face, without having to raise additional funds in the future. This approach dictates use of a very low, so-called “riskless” rate – e.g., 2% per annum. One problem with this view is that retirement plans already have a long history of making adjustments to raise funds to cover liabilities incurred in the past because the past contributions and earnings were insufficient to cover the benefit levels granted to retirees. (In the few occasions high returns allowed cutting contributions, retirement system governors usually raised benefits instead.) Another problem is that it is impossible to assure the desired sufficiency because it is possible at any time for the plan to lose money unless it uses investment strategies that do not seek to maximize risk-adjusted returns and in fact reap much lower expected returns. Thus, this approach almost requires suboptimal investment management practices. A final problem is that if sound investment management practices are followed, the expected value of plan resources will normally exceed the liabilities using a riskless DR, and thus contribution rates and benefit levels for future employees will be subsidized by today’s plan participants and taxpayers. Because economic growth means that future generations will be wealthier than today’s generation, this implies a regressive intergenerational wealth transfer.

So, the proper fiduciary method for setting the DR is to soberly assess the expected net returns on the investments; then, probabilistic analyses such as Monte Carlo simulations should be conducted using return distributions that have as their expected value return the DR chosen. These simulations will tell the probabilities that the fund will be able to cover various future payout levels, and contribution requirements and benefit levels can be determined to satisfy the level of certainty chosen by the bodies overseeing the plan. Thus, the real DR question is simply: What are the reasonably expected returns? For decades, public-sector plans have assumed returns around 8%, although some plans, including PERS, have adjusted downward slightly in recent years. Our analysis in the Economic Outlook section below shows economic growth and thus investment returns are highly likely to be much lower than historic levels for the foreseeable future. Our conclusion is that a DR of 5% net of fees and costs is the most reasonable expectation. (this DR is a net-cost-of-capital rate and should not be confused with the gross-cost-of-capital rates of 7% to 8% that are more appropriate as general social rates of discount.)

3. Forecasted Membership Annual Growth Rates: PERS has been forecasting 6.5% annual membership growth rates, although it recently lowered them slightly. It has experienced roughly 2.5% actual growth. We believe that experience is consistent with the expected growth rates for the state population and with the ability of the state to afford spending growth. Thus PERS should use this rate.

4. Reference Working Lives and Retirement Periods: Expected life length has been climbing in the U.S. for decades until the last two years, and health status has been improving at every age, but these factors have not been reasonably reflected in the reference working lives and retirement terms assumed by pension funds, Social Security, etc. In short, today most working lives assumed in pension plans, including PERS, mean that retirement benefits maximum levels are reached after 30 years of employment or only slightly longer and often available at a mid-fifties age. Thus, many public employees, including Nevada state employees, get market-level pay for 30 years of service, followed by retirement draws that may run 30 years or more and are noticeably better than the retirement draws generally available in the efficient private employment markets. We cannot do full justice to this issue here. Our purpose in raising it is to initiate a broad and sustained conversation among all parties to properly plan for and finance the retirement of public employees.

5. Duty to the public interest, voters, taxpayers and future plan participants: The basic duty owed by all public officials – governors, controllers, legislators and all public employees in policy-related positions – is a duty to voters, taxpayers and broad public interest. People involved in governing retirement funds tend to see a duty to plan participants, and statute and regulation often supports such additional duties. As public choice theory illustrates, the real problem is that officials generally begin to regard their primary duty as residing with current plan retirees and participants and they forget to view all their decisions from the viewpoint of the voters, taxpayers and broad public interest. In particular, taxpayers – and in retirement matters, future plan participants – begin to be viewed as mainly deep pockets to allow the politicians and bureaucrats to better serve the interests of current plan retirees and participants. We therefore urge that all discussions of these issues begin with explicit recognition of the duties to voters, taxpayers and the broad public interest, and all proposals should be evaluated almost exclusively on that basis.



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ECONOMIC OUTLOOK

VI. ECONOMIC OUTLOOK

Introduction and Overview: In Nevada’s 2015 Popular Annual Financial Report, we proffered an economic outlook focused on intermediate and long terms. We identified four long-term secular trends we believe have suppressed U.S. economic growth rate the last decade – thus explaining the “new normal” – and by their nature will continue to do so for the foreseeable future, without significant changes in public policy. These developments obviate short-term forecasts because they swamp out business-cycle effects, in part by slowing economic growth, and they may even change business-cycle length. They also make sectoral forecasts uncertain. And they do the same to regional forecasts; nonetheless, we examined certain long-term Nevada trends to see if there was any basis for modifying the national forecast for our state. There was not.

Long-term Growth of Government Over-reach: The first trend is the continuing growth of government relative to the economy – reflected in public spending, taxes, deficits, debt, regulation of all kinds, and other government interventions (retirement programs, health care and insurance, etc.). The empirical economic literature indicates that government size, scope and reach has for 60 years been excessive relative to levels that maximize growth and thus human wellbeing. Yet government has continued to grow, especially in the last decade, thus ever more retarding economic growth. Until the turn of the century, this growing deadweight loss was offset by three growth-inducing factors: 1) demographic and other increasing labor-force participation trends; 2) increasing debt levels of all kinds relative to GDP (government, financial debt, non-financial business debt, home mortgages and all other consumer debt); and 3) rapid growth in emerging economies, plus globalization of firms, increasing trade and foreign direct investment (rest-of-the-world effect).

Changes in Three Other Long-term Secular Trends: Not only has government overreach soared to new levels in the last decade, but labor-force trends that were a major offset to that excess have turned around, driven by both policy and demographics since the turn of the century. Since the Great Recession, rapid growth in debt has waned for policy reasons and simply because the previous growth rates were unsustainable. Third, rest-of-the-world economic growth is slowing and will continue to slow because other countries have done an even worse job than the United States on growth policy; further, our increasing integration with the rest of world has slowed since the recession, mainly due to poor policy. So, for both reasons, the rest-of-the-world sector also has changed from an engine to a drag on economic growth.

The upshot of these trend changes is that ten-year U.S. economic growth, which peaked in the 1960s and then was roughly constant through 2007, except for a downward excursion in the early 1980s, collapsed after 2007 to

half its historical rate, where it has stayed. So, we have forecasted 2% or lower long-term annual growth, with half of it coming from population growth and half from real per-person economic growth -- both of which may well decline going forward. We emphasize per-person growth because it determines the extent to which human wellbeing and human flourishing increase, and thus it is the real measure of public policy success. The difference between the 1% figure of the last decade and previous per-person growth in the 2%-2.5% range is hugely significant in economic, social and human terms.

New Normal Persists: Slow Long-term Growth: While total real growth slightly above 2% had been the rule since the recession, until 2016 few people had projected continuation of it. So, our projection (which Knecht has made since 2011 based on such analyses), was an unorthodox if not radical view. In the last three years, many people have begun to accept that such slow growth really is the new normal and will persist – and many have given reasons similar to ours to support such forecasts. In fact, the Congressional Budget Office – which has a long record of optimistic forecasts that were not realized – in 2018 adopted a 1.9% long-term growth estimate. Below, we revisit the four secular trends, plus our Nevada-specific factors, and their effects. We find that our previous analyses of these trends is essentially unchanged – although recent reforms in much federal policy, if sustained and enlarged, may reverse the overall trend – if negative policy trends in trade and federal spending are not so great as to offset them. Our conclusion remains that economic growth will be slow and that uncertainty has increased. Although our basic analyses are sound, recent literature has highlighted some competing theories, concerns and new data. Following the discussion below of our approach, we briefly examine these three issues: 1) innovation, technological change and productivity; 2) “cost disease”; and 3) market capitalism and income inequality.

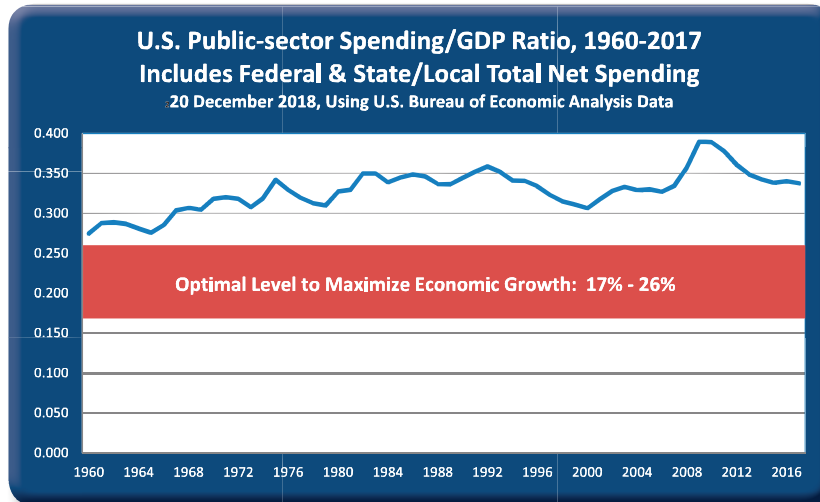
The Solution: Broad Public Policy Reform: As we detail below, our analysis of the four factors we previously identified as resulting mainly from unsound public policy explains the source and solution of our problems. To serve the broad public interest and the people of Nevada, our state and local governments need to do their part, and our federal representatives need to push the national government to do its part to counter all four trends.

1. Government Overreach: The size, scope and reach of American government – including spending, taxing, borrowing, statutory mandates, regulation, monetary and credit-allocation policy, and other intervention – long ago exceeded levels that promote the public interest in maximum economic growth and fairness. These excesses at federal, state and local levels have increasingly slowed growth and diminished fairness and will continue to do so unless they are reined in. Economists now understand that economic growth, and thus aggregate human wellbeing levels, are determined more by the economic, political and



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social institutions, practices and policies of a society than by geographic, infrastructure, resources and other earlier development-theory factors. The following are important for growth and fairness: the rule of law; constitutionally limited government; separation of powers between national, regional and local units; separation of functional powers at each level of government; individual sovereignty and personal liberty; individual rights, not group rights; strong property rights; and high levels of economic freedom.

Empirical literature – that is, research using real economic data – supports and quantifies theory suggesting there’s an optimal range of government spending that maximizes economic growth. There are classically defined public goods that are most efficiently provided by government and there are market failures that justify regulation and other intervention. However, excess spending, scope and reach of the public sector diverts efficient private investment and consumption and slows growth. While there are uncertainties and debate about the levels of public spending relative to the economy that maximize growth, the best evidence, reviewed by economists at the University of Nevada-Reno, shows the range is 17% to 26%. The U.S. passed those levels before 1960 and has increased government excess to the present time.

The chart above of public spending over time as a percentage of the U.S. economy vividly illustrates this point. The excess growth has not been limited to the federal government; state and local spending have proportionately grown even faster. Nevada’s local-government and total public-sector spending have grown particularly fast. Nationally, increasing government interventions into health care and education have driven up their costs. As the public sector continues to consume resources beyond economically efficient levels, private investment and growth are elsewhere deterred, and overall growth of our economy slows.

While public spending is the measure of government overreach easiest to quantify, analyze and understand as a growth determinant, other measures also drive and reflect the excess. Taxes and public debt are directly driven by public spending, and public debt has now reached its highest level relative to the gross domestic product (GDP) since the early 1950s, when the debt from World War II was being worked off. Government regulation in a wide range of economic, financial, environmental, public health and safety areas, plus intervention including monetary stimulus and credit allocation and federalization of health insurance and education have all increased

to unprecedented levels and metastasized in the last decade. The net effect has been to raise barriers that hinder business formation and success, thus retarding growth. With the spending, taxing and borrowing overreach at record levels and still increasing, the drag may even get worse.

Until Trump administration reforms, regulations accumulated at an increasing rate, with more than 1 million restrictions issued in 2014 alone. The impact of regulatory excess, although difficult to quantify, is as damaging to families and the public interest as are the excesses in spending, taxing and borrowing. For entrepreneurs and established businesses, the cumulative effect of these restrictions burdens business formation and expansion and job growth. In 1970 through 2014, nearly 34 million unique federal restrictions were issued, many with social costs in excess of \$100 million. Regulatory expert Clyde Wayne Crews estimates federal actions, promulgated more by bureaucrats than legislators, now cost Americans \$1.9 trillion annually, or nearly \$15,000 per household, more than they spend on any category except housing.

Besides the Trump administration’s efforts to rein in regulatory excesses across the board and establish rational regulatory policies, another bright spot is its 2017 federal income tax reductions and reforms. If such efforts are sustained and extended for decades, they can reverse the trend of increasing deadweight losses. However, the administration’s tariff increases and other trade war initiatives will slow economic growth and diminish fairness.

2. Demographics and Work-force Participation: Demographic changes driven by public policy and non-policy factors are reducing the fraction of the population doing productive work in market settings, while increasing numbers of people consuming but not producing. These changes include falling birth rates, increasing longevity,



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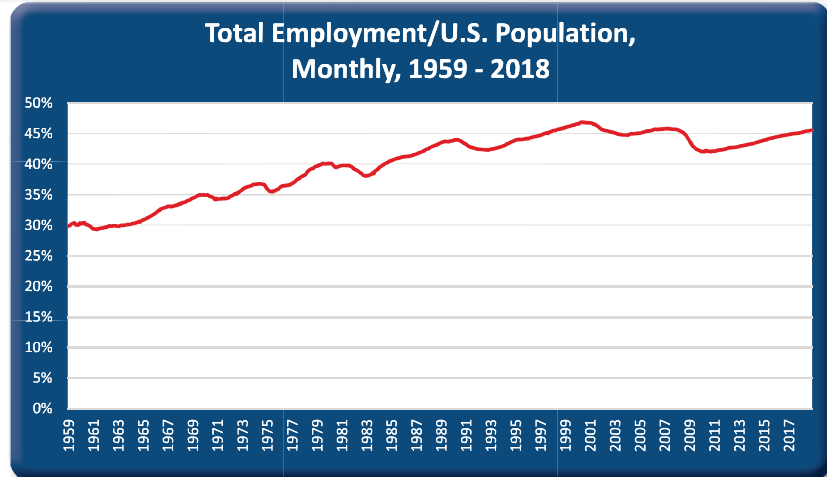
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increasing public subsidy for retirement and for other persons not working, and changing social and economic roles of men and women. These changes are slowing growth and may ultimately precipitate generational conflict.

The 1970s movement of Baby Boomers into working age, plus the movement then and later of women into paid work, plus increasing opportunities for minorities drove labor-force participation to a record level of 67.1% in 2001. As shown in the graph nearby comparing population and employment, demographic and workforce participation factors gave a huge boost to economic growth, countering public-sector overreach as the employment/population ratio rose more than 60% from 0.293 in 1961 to 0.469 in 2001.

The aging of Boomers into retirement years, plus declining birth rates in younger cohorts, the slippage of female workforce participation and the tepid recovery from the Great Recession all dropped labor-force participation to 62.3% in September 2015, the lowest level since 1977. It now sits at 62.9%. Falling labor-force participation in the 16-54 age range has more than offset recent participation increases for the 55+ group, netting a continued decline in total employment ratios. Further, replacement of the large contingent of Boomers with high skills gained from full-career employment by low-skilled persons just entering the work force has depressed growth in labor and total productivity in recent years. Low unemployment rates are due greatly to counting “discouraged workers” out of the labor force and to increases in “under-employed” part-timers – both driven by the tepid recovery and the palliative effects of increases in benefits to people not working.

Since 2002, trend reversals in demographics and employment/population ratios (now 0.455) have reinforced the increasing drag from government excess that depresses growth. The movement of the large Boomer cohort into retirement began in 2011, is accelerating and will continue for perhaps 20 more years. Because retirement age and support policies were set when longevity was lower and health of people over 60 was less robust, U.S. dependent/producer ratios will continue to rise relative to what they would be under market incentives. So, total-factor productivity and thus the economy will continue to grow slowly. The burden on productive cohorts will increase, especially with slow income growth, leading perhaps to generational conflict. Slow economic growth and resulting low interest rates and other rates of return on investment will challenge retirement and endowment funding and exacerbate many other problems.



3. Debt in All Sectors and Net Savings and Investment:

Total debt levels relative to the U.S. economy increased hugely until the financial crash and Great Recession of 2007-2009. As shown in the graph on the next page of total American debt as a percentage of the economy, they have retrenched only very slightly since then, leaving an excess-leverage overhang that may not be receding. All debt sectors are involved: government at all levels; business (financial and nonfinancial); and households (mortgage, auto, student, credit card debt and consumer loans, etc.). Credit-allocation policy such as the Community Reinvestment Act amendments of the 1990s drove much of the excess, especially in the decade ending 2008, providing artificial and unsustainable temporary stimulus to growth but also producing malinvestment, especially in housing. Monetary policy – the Federal Reserve keeping interest rates low in 2002-2005 – also contributed to these problems.

Total American debt/GDP ratios in 2017 were still twice their 1984 levels, despite retrenchment following the financial crash and Great Recession. Consumer debt growth was driven mainly by the federal mortgage lending policies that caused the housing bubble and subsequent collapse. Business debt grew in finance and large corporate stock buybacks, mergers and acquisitions; between this factor and falling and low interest rates, it appears that asset bubbles developed, which began to deflate in late 2018. Federal government total debt/GDP ratios have trebled since 1980 and continue to increase, driven by fiscal policy and the continued growth of entitlements spending (Social Security, Medicare and Medicaid). Monetary policy – copious increases to the Federal Reserve balance sheet due to massive purchases of Treasury securities and government agency debt – was also used after the Great Recession to ameliorate the negative growth effects of a wide range of regulatory, tax and other public policies.

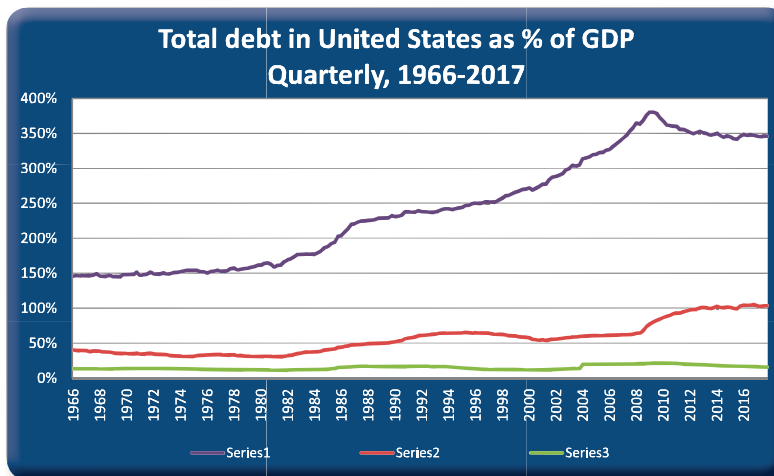


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Further retrenchment from current debt levels is needed to restore economic vitality and the balance sheets of households and businesses, so demand for capital and thus interest rates and investment returns can all be expected to remain low, as will economic growth. Even the methodical retirement by the Federal Reserve of its debt portfolio and its raising of short-term interest rates have not raised intermediate and long-term interest rates. The low returns on investment have destroyed much economic wealth and damaged institutional, retirement and endowments investors and savers and will continue to do so.

The problems of excess and still growing size, reach and scope of government are worse in every other major economy than in the U.S., as shown in the chart atop the next page. (China, Russia and India are not included in the data, but they are truly statist economies of various stripes and thus inherently have this problem.) Europe (the only other comparably-sized economy) and Japan continue to struggle, as they long have done, with very low growth. China has grown hugely into the second-largest national economy, but the command-and-control methods that remain even after its liberalization have yielded massive malinvestment and debt growth. Due to malinvestment, persistent low consumer demand and the recently eased one-child policy (a monumental policy mistake that spawned great human tragedy and will continue to do so), China is headed for ever lower and possibly negative growth. All other economies are too small to make a significant difference to U.S. growth.



Demographic problems of low birth rates and labor force participation, plus increased aging are also worse elsewhere. Birth rates being an inverse function of women's education and wealth levels explains much of the world demographic problem, as education levels have increased everywhere. However, in India and Africa birth rates are dropping even

4. International Economic Growth, Trade and Foreign Direct Investment: Until the Great Recession, long-term growth of the world and developing economies, led by China, was more rapid than growth in the U.S. and other advanced nations. Increases in 1) globalization of corporate operations (not political globalization), 2) international trade and 3) foreign direct investment in the U.S. all boosted our economic growth by lowering costs to American consumers and businesses and spurring more efficient investment and production by domestic and foreign businesses. These developments likewise provided benefits for other countries and in recent decades hugely increased worldwide wellbeing and reduced poverty.

faster than education and income levels are increasing. Slow population growth will slow economic growth.

Since 2007, trade increases have lagged world economic growth. Growth in China, other developing nations and advanced economies has slowed, further depressing American growth. The three factors above that now retard U.S. economic growth are even worse in other major economies, advanced and developing. While that makes our economy the "cleanest dirty shirt in the laundry pile" for investors, it also means the global-trade-and-investment cavalry will not be rescuing us from anemic economic growth. The world economy no longer spurs U.S. growth to the degree it did before the Great Recession.

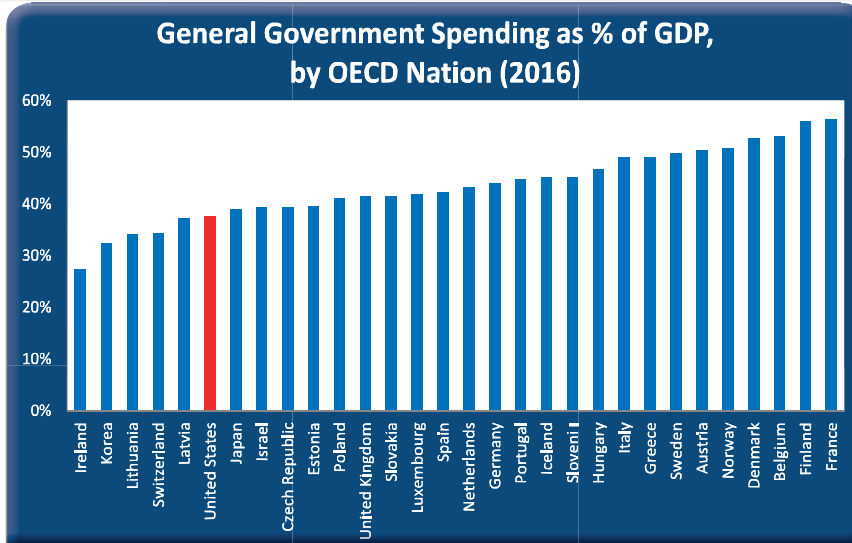
Total debt worldwide has increased from 248% of GDP in 2003 to 318% in 2018, a likely unsustainable increase, especially with slowdowns in world economic growth and globalization. So, future debt retrenchment is likely. Europe has now followed Japan and the U.S. into monetary and credit-allocation overreach, and Italy and others (maybe Japan and China) soon may face Reinhart/Rogoff excess debt levels (government debt above 90% of GDP leading to financial collapse).

5. Upshot: Continued Slow Economic Growth: All four mutually reinforcing problems discussed above have already produced the poorest recession recovery on record, with real growth of just over 2% per year – or, adjusting for population increase, real per-person growth of about 1%. With none of these problems abating and all perhaps increasing, the most reasonable outlook is economic and productivity growth at recent anemic rates or even lower. And great uncertainty going forward. The chart on page 17 of rolling ten-year growth rates shows that U.S. economic growth has long been declining due to these factors and has collapsed to record sustained low levels since 2008.



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(the ever accumulating stock of capital to serve the economy and foster growth) and 2) the effective education levels of the populace (which make people more economically productive and can be viewed as the deepening of the human capital stock), plus 3) total factor productivity (TFP), which covers all productivity gains not explained by the other two factors. He finds that the combination of capital deepening and education has contributed roughly a nearly constant 1% per year in real terms to average annual growth rates of output per work hour since 1890.

However, TFP was a mere 0.5% in 1890-1920 before soaring to 1.8% in 1920-1970 and settling back to 0.7% in 1970-2014. Gordon does address briefly the demographic

Growth at 1% per person per year sounds only slightly lower than historic 2.0%-2.5% levels, but the compounding impact is huge: Namely, average human wellbeing growing only 42% every 35 years instead of doubling, which was the social norm for 250 years. So, instead of average family incomes doubling from \$50,000 yearly to \$100,000 (at 2.5%), they will grow only to \$71,000 (at 1%) – or 29% lower. Restoring the economic growth legacy left by previous generations, an essential public policy need, requires government to grow slower than the economy for decades and other reforms.

Down-side risks may even make things worse. The recent slow growth has occurred despite falling energy and other commodity prices that, all other things remaining equal, should have spurred growth. Possible returns of these prices to historical levels could dampen growth even further. Two other factors may further compound these problems: 1) slow expected economic growth produces low investment returns, which in turn tend to keep growth lower in a negative feedback loop; and 2) our current recovery, anemic as it has been, is the longest cyclical upturn and we may be due for a contraction.

6. Innovation, Technological Change and Productivity:

Two recent economic history books have addressed the slowing growth of the American economy in the last half century, and a third further analyzes the roles of investment, innovation, technological progress and productivity growth. The first two books are *The Rise and Fall of American Growth* by Robert Gordon and *An Extraordinary Time* by Marc Levinson.

Gordon focuses on the historically unprecedented growth in the U.S. in “the special century” of 1870-1970 and the much less spectacular record since 1970. He breaks down the determinants of growth between 1) capital deepening

and labor-force participation trends we have cited, but not the other three factors. Instead, he casts TFP as endogenous and even sui generis – more a well-told humanistic celebration of some remarkable technological and economic history than an analysis useful for forecasting and policy. While he sees no basis to believe TFP will rebound to previous levels, he does analyze the last 44 years to conclude that the flowering of information and communications technologies during that time produced only a ten-year serious bump in TFP to 1.03% in 1995-2004. However, he finds the 2004-2014 rate to be the lowest since 1890 at 0.4%.

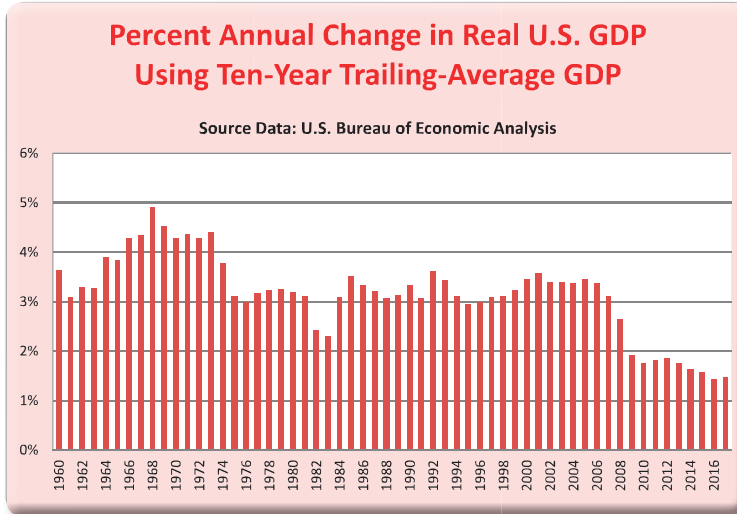
Levinson analyzes the progress of major western economies, including the U.S., in 1948-1973 to also find historically unprecedented growth (“the golden age”) followed by a collapse to much lower levels since then. His analysis is also well told, but lacks even more than Gordon’s in quantitative detail and support; in over 300 pages, one finds not a single table, chart, graph or equation (a remarkable feat for a former finance and economics editor of *The Economist*, which has always specialized in illuminating graphics). He states, “Scholars have spent the past fifty years struggling to understand what went wrong and how to set it right.” So, he joins Gordon in concluding that the present is normal and that the golden age was a unique non-recurring set of many fortunate circumstances.

Both books overlook our explanation above that modest growth until the Great Recession, and the distressingly low growth since 2007 are explained by the powerful effect of increasing government over-reach, first offset and then reinforced by the demographic/labor-force, debt and rest-of-the-world trends. But Levinson embraces a particular error in this regard as he writes:



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“Our inability to restore the world economy to its peak condition has had long-lasting consequences. It radically changed social attitudes, engendering a skepticism about government that has dominated political life well into the twenty-first century. *With that change came a shift away from collective responsibility for social wellbeing; as state institutions were allowed to wither, individuals were asked to assume more of the costs and risks of their health care, their education and their old age.*”

The first sentence is certainly true, and arguably the second one too. However, the third sentence, for which we have supplied the emphasis, is categorically false and runs expressly counter to the objective facts, even though it has become a common talking point for some politicians, media outlets and other special interests. We show above that public-sector spending has remained above reasonable (optimal) levels for decades, has continued to increase in both nominal and real terms, and consumes an increasing proportion of household incomes, burdening economic growth. Moreover, we show that this public-sector metastasis has been driven especially by increasing spending on health care, education and old-age, the exact three areas for which Levinson erroneously claims public-sector retrenchment. Also, the burden and problems from excess public spending have been exacerbated by wanton regulatory and other governmental intervention in everything, especially those three areas.

Invention, innovation and technological progress – plus the benefits of capital deepening and education – all together produce productivity gains, which are the source of real economic growth and improvements in human wellbeing. It is helpful to break out capital deepening and education as Gordon does, but more breakout and causal analysis related to his TFP residual is needed. To sum up the total

productivity growth in the last 70 years: the golden age rate was 2.8% through about 1973; followed by 1.3% in 1973-1995; then a jump to 2.5% in 1995-2004; and concluding with 1% in 2004-2015. The long sustained low rate of the last dozen years included a jump to 2% in 2007-2010 that was mainly a temporary lurch caused by the onset of the Great Recession and businesses’ response to it. The sustained rate in 2010-2015 has been about 0.3%, with as much evidence that it is falling as rising.

On the other hand, our 10-year U.S. rolling economic growth computation – which includes about 1% per year for population growth (a figure that is now declining) – shows a boom ending about 1973, followed by a flat and modestly good sustained rate of 3% or slightly more in 1973-2007, then followed by a troublesome and declining 2% in 2009-2017. Our four-part causal analysis of continually growing government excess for 60 years, first offset and then in this century reinforced by the other three factors (demographics and labor force; debt; and rest-of-the-world sector) is fully consistent with the facts and numbers of U.S. economic growth history. Moreover, while we do not have a detailed explanation correlating progress in these four factors with the capital deepening, education and TFP estimates by Gordon, the two data series are reasonably compatible and consistent. And they provide a direction for future research to understand our growth history and prospects. Note also that economists have raised a number of productivity measurement issues, as well as questions about achievement trends and the incremental economic effectiveness of education. Also, many have emphasized the metastasis in regulation in recent decades.

In their 2017 book, *Capitalism without Capital*, Jonathan Haskel and Stian Westlake note that business investment in the U.S. economy has changed significantly in recent decades. From 1948 to 2007, intangible investment grew from 27% of total non-farm business investment to 56%. Tangible investment includes buildings, machines, computers, equipment, etc. Intangibles include mainly intellectual property such as research, patents and trademarks, brands, software, designs, etc.

They observe that intangible investment has characteristics they call the Four S’s: scalability, sunkness, spillovers and synergies. Scalability means, for example, that Uber was able to scale up its business from one city to worldwide promptly because the software, brand, contracts and other intangible assets on which its business model is based can be cheaply and quickly replicated and adopted to many more cities. A transportation model based on owning vehicles



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would take a long time to reach many cities due to financing and logistics challenges.

Sunkenness means that much investment in intangibles becomes a sunk, non-recoverable cost if the venture does not succeed – just as scalability and synergies make it very valuable if it does succeed. Spillovers refers to the fact that investments in intangibles produce assets economists call “non-rival” in nature: one party’s use of them does not limit another party’s use and benefit from them. Finally, synergies describe the multiplication of benefits when two or more assets, whether tangible or intangible, are combined; for example, a jet engine combined with a wing allows flight. The Four S’s illuminate effect of the increase of intangibles on business investment on productivity and growth, as they detail.

Haskel and Westlake note that traditional accounting tends to obscure the increase of intangibles in the investment mix, because some of their costs, such as software, design, branding, etc. are expensed, not capitalized as investments. With the Great Recession, business investment fell substantially and recovered only somewhat thereafter. However, even after they correct investment levels to recognize intangibles, they still find a significant decline and persistent low level since the recession.

So, declining investment is a cause of declining productivity growth and economic growth. But what has caused the declining investment? Our four-factor analysis shows what has done so, and their explanation is consistent with ours.

7. Cost Disease: Over the long run, the mix of goods and services produced by the U.S. and world economies has shifted toward more services and fewer goods. Half a century ago, William Baumol (who later won a Nobel prize in economics) diagnosed a problem in providing many services that came to be known as Baumol’s cost disease. He noted that the means of providing many services are constant over time and not subject to innovation and technological change that yield productivity gains. Hence, some have suggested that as the economy shifts toward services, effective economy-wide innovation, technological change and thus economic growth rates will slow from historic levels. As discussed below, we believe this view is unproven and likely offset when services productivity is viewed in a larger context.

Baumol observed that, economically, delivering the services of a Mozart quartet today has not changed since Mozart composed it. It still takes four musicians, their instruments and a venue that cannot be much larger (for more listeners) now than it was then. Put in these terms, it is easy to understand the argument and to extend it to a range of other services such as education, where a class of students still requires a teacher, classroom, desks, books, etc., just as it did a century ago. Thus, economy-wide, we may expect diminishing returns to innovation, etc., as services increase relative to goods. Baumol pointed out that when a sector

such as classical music experiences productivity gains slower than those for the economy as a whole, the rising productivity of the economy nonetheless means that greater rewards accrue to firms and individuals in that sector over time – albeit not as fast as they grow in sectors with rapid technological change and productivity gains.

Given the constant labor input per unit of output (i.e., a concert), he was concerned that business models for performing arts firms and performers may have trouble delivering income that would keep them economically viable. He did admit they might survive by developing new sources of revenue such as charitable contributions, not just ticket sales. A *Wall Street Journal* article two years ago noted that in fact symphony budgets and the pay of their musicians has actually increased relative to the economy, instead of diminishing – although it also questioned whether the increasing real costs can be matched by increasing revenues to sustain the enterprise and artists. Public subsidies, plus contributions, play a role too. However, contra Baumol’s belief that alternate revenue sources such as recording sales would apparently not provide a solution, we believe they do. Further, when the service of providing music is viewed in a larger context, there is no reason to believe that services are inherently subject to slower technological change and productivity gains than goods.

The point is that new inventions, innovations and technological change can in fact hugely increase the productivity of musicians. With modern electronics, one musician can play multiple parts. More importantly, via recordings, broadcast and narrowcast, the performance that could be heard in Mozart’s time only by the limited number of people present when and where it was rendered can now be enjoyed by literally millions of people as often as they like and at times and places of their convenience. So, with modern communications and data technology, the productivity of musicians and their instruments is multiplied by many orders of magnitude. And consumers realize much additional value from the performance because they can hear it, for example, on a long auto drive. So, considering services productivity from the perspective of consumer utility and total output of various kinds by suppliers (i.e., alternates and substitutes, as economists say), there are synergies that offset any cost disease limits and increase productivity hugely.

Moreover, this observation extends to education and increasingly to nearly all services. Alternative means of delivery of education are proliferating throughout education: Students and many people benefit today from recorded and broadcast lectures by the best teachers in any subject at any location, not just at brick-and-mortar institutions. Primary and secondary students also have access to a range of options for their instruction, from traditional classrooms to online home-schooling. And instead of having to find an encyclopedia at the library during its hours, in the middle of the night we Google a subject and follow the search results



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wherever and for as long as we want. With the synergies proliferating everywhere, we see no reason to believe that cost disease is found much outside the public sector, education, health care and aging care – where it prevails only for non-technological public policy reasons.

8. Market Capitalism and Income Equality: An economic outlook analysis is by nature focused on growth. But we believe that economic growth should also be the primary goal of public policy. When aggregate output increases, there are more resources on average for each person. In addition, increasing total output gives society greater resources to take care of people who through no fault on their part are unable to reasonably provide for themselves. Increases in resources also promote human flourishing via education, improved health care, better diets and living conditions, and greater opportunities for use of leisure time. In short, economic growth is the key to human wellbeing.

Moreover, as the analyses in this CAR show, the public policies that promote growth are also those that promote fairness or equity – which is generally accepted as another fundamental goal of public policy. In a mainly market-based economy, people get income and accumulate wealth roughly in proportion to the value they deliver to others. This delivered value is the “consumer surplus” reaped by people who do business with them, and it does not depend on how hard the producers work or how charitable or otherwise virtuous they are; even if they are simply avaricious, in market systems their rewards depend on the contributions they make to society, not on their good or base intentions. Further, the value they deliver to others is as much a contribution to society when it results from investing their capital as when it flows from their labor; value is value, and there is no more virtue inherent in labor than in managing capital.

The economic freedom and protection of private property that foster aggregate economic growth also are fair to those who produce by letting them retain the fruits of their labor and investment risk-taking. And those same economic freedoms and property rights promote among everyone the virtuous behaviors society needs of delivering value to others. On the other hand, in any political allocation of resources, income and wealth depend on political behavior, aggressiveness and many other factors that do not serve the public interest in growth and equity, but only the self-interest of the people engaging in them. So, market systems work to promote maximum aggregate human wellbeing, but the political allocation of resources does not.

Nonetheless, people have always been concerned about how their wellbeing compares to that of others and more generally about the distribution of income within society. With the slow growth and flagging human wellbeing of the last decade, concerns about income distribution and inequality have risen. These concerns often merge with some classic critiques of market capitalism, as reflected in the 2014 book *Capital in*

the Twenty-first Century by Thomas Piketty. So, we review here the arguments and claims about distribution, inequality and alleged structural problems of market capitalism. Then we present data that show that the extensive public-sector interventions urged by these critics not only suppress growth but have also contributed to unequal income distributions and lagging wellbeing of middle- and lower-income people.

Piketty covers much ground in his 700-page tome, but two of his points stand out here as summarized from *Problems with Piketty: The Flaws and Fallacies in Capital in the Twenty-first Century* by Mark Hendrickson. First, incomes and wealth are distributed very unequally, both within and among countries. Second, based on the fact that the rate of return on capital investment is generally greater than the growth rate of the economy, Piketty hypothesizes that capital will come to comprise an ever larger fraction of each economy. This leads him to conclude that inevitably the rich get richer and the poor and middle classes get left behind – until this unsustainable trend erupts in economic breakdown and political chaos. So, Piketty calls for confiscatory tax rates on wealth and income (e.g., 80%) to avert this supposed tendency.

However, like most analysts who obsess over income distribution, Piketty ignores the huge effects that income taxes and transfer payments already play. His calculations are based on pre-tax income, which is not the amount anyone has to spend discretionarily. Piketty further overlooks employer-provided benefits like health insurance and non-taxable capital gains and he fails to adjust for household size, so his assertions have little basis in reality. There are also transcription errors and incorrect formulas in his spreadsheets, and for some data he does not cite original sources. These problems led him to retract his data for the U.S.

Further, the obsessive focus on income distribution is misplaced in principle. As we noted, in market systems (but not in explicitly political allocations of resources), income and wealth generally flow to people in proportion to the value they deliver to others – i.e., the economic value they create for society. Since individuals’ contributions vary greatly, sometimes by a few orders of magnitude, the resulting distribution of income not only reasonably rewards people who create value, but it also provides the appropriate value-creation incentives for everyone. Further, people’s wealth is split among their heirs and according to their charitable contributions, and this effect in the real world tends to spread wealth, instead of allowing ever narrower accumulations of it. Thus, lists of individuals’ fortunes increasingly include self-made entrepreneurial successes and ever fewer legacy fortunes. Also, not all capital reaps the average rate of return, and thus some fortunes grow more slowly than the economy or even disappear altogether in financial losses. And the fact that a loss of X% requires subsequent gains greater than X% to restore the original corpus also works toward wealth spreading.



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ECONOMIC OUTLOOK

Another major flaw is that, for Piketty, the value, virtue and efficacy of government spending is never questioned; more of it is always better by assumption, despite demonstrations by Nobel laureate Friedrich Hayek that rational economic planning is impossible outside competitive markets. Ultimately, Piketty's obsession (and that of other progressives) with income and wealth distribution not only completely distorts the real record on these trends but also overlooks the real public interest: namely, economic growth and thus human wellbeing. Capital formation is essential to this goal. He does, however, concede that "the return of high capital/income ratios over the past few decades can be explained in large part by the return to a regime of relatively slow growth."

Indeed, Table 5 below demonstrates broadly this point for the U.S. It shows that the difference between GDP growth rates in the U.S. and the increases in income inequality (measured by the most common Gini coefficient and related methods) have produced much slower total gains (GDP growth less income inequality increases) for the middle and lower classes in the Bush 41, Bush 43 and Obama administrations than was the case in the Nixon/Ford, Reagan and Clinton administrations. In short, rapid total economic growth has benefitted the poor and middle classes more than slow growth and income redistribution.

9. Nevada Prospects Are Similar to U.S. Prospects:

Nevada's overall tax levels (state plus local) lie toward the middle among the states. The state has long practiced onerous regulation of professions and occupations and has intervened in housing finance in ways adverse to growth. In assisting destructive federal policies in health care, education and energy, state policy further retards growth. Nevada's demographic and workforce outlook is no better than the national picture, especially due to modest workforce education levels. Further, there is no reason to believe Nevada will do better than other states on non-government debt levels, or on trade and foreign direct investment. Historically and now again, Nevada and the Southwest populations have grown much faster than the U.S., but their net in-migration has slowed greatly in recent years. So, despite faster growth currently than most states, the most prudent forecast for Nevada is per-person economic growth at the anemic national rates. Moreover, the dominance of the national outlook by long-term secular trends obviates fine-tuned state cyclical growth estimates. A notable bright spot is that Nevada has managed conservatively its debt load; so, maintaining its creditworthiness will be assured by continued prudence on that front.

Between 2011 and 2015, Nevada's state gross domestic product grew meagerly from \$119.3 billion to \$126.2 billion (in constant 2009 dollars). Per capita, that's a growth

rate of -0.15%, ranking 44th among the states in that period. This continued negative growth came on the heels of an economic recession in which Nevada experienced the largest per-capita decline in GDP of any state. Between 2007 and 2010, per-capita GDP shrank by an average of 5.76% annually versus a national shrinkage of 1.26%. Fortunately, Nevada growth has returned to healthy levels.

However, entrepreneurial activity in Nevada remains near historically low levels. As shown in the graph on the next page, startup density, measured by the number of business starts per 100,000 persons, fell roughly 30% between the mid-1990s and recent years, according to Bureau of Labor Statistics data. Non-governmental data sources, providing a longer time series, indicate that startup density has fallen 61% since 1977. This long-run decline in entrepreneurial activity portends a less dynamic state economy. Studies indicate that nearly all net new U.S. job growth is attributable to startups, so future Nevada economic growth prospects may be significantly diminished if entrepreneurial activity does not rebound to historic levels.

10. Economic Outlook Summary: Government at all levels has long been so big, yet still growing relative to our economy, that it increasingly consumes our time, energy and productivity; crowds out private entrepreneurship and business spending and investment; and thereby stifles economic growth. Until 2002, Baby Boomers and women entering the workforce, plus increases in workforce average experience, greatly mitigated this problem. Sustained low birth rates leading to small new working-age population cohorts, plus somewhat falling rates of workforce participation by women and by men ages 16-54, and increasing Boomer retirements have lately decreased the fraction of the population working and the producer/dependent ratios that fed earlier growth.

Increasing debt levels relative to the economy, which were mainly driven by policy far into unsustainable territory, promoted growth until the financial crash. Mild retrenchment during the tepid recovery has not worked off the overhang; so, slow growth of non-government debt demand will add to the drag on economic growth. Rapid growth of developing economies, plus faster growth of trade and foreign domestic

Table 5: Comparison of Income Growth and Increase in Income Inequality by United States Presidential Administration, 1969-2016

Administration	Annual Growth, Real GDP Per Person	Annual Increase in Income Inequality (Gini/MnLn/Thiel)	GDP Growth Less Income Inequality Increase
Nixon/Ford	1.90%	0.33%	1.57%
Carter	1.67%	0.67%	1.00%
Reagan	2.70%	1.04%	1.66%
Bush 41	0.75%	0.32%	0.43%
Clinton	2.48%	0.84%	1.64%
Bush 43	0.70%	0.25%	0.45%
Obama	1.39%	0.85%	0.54%



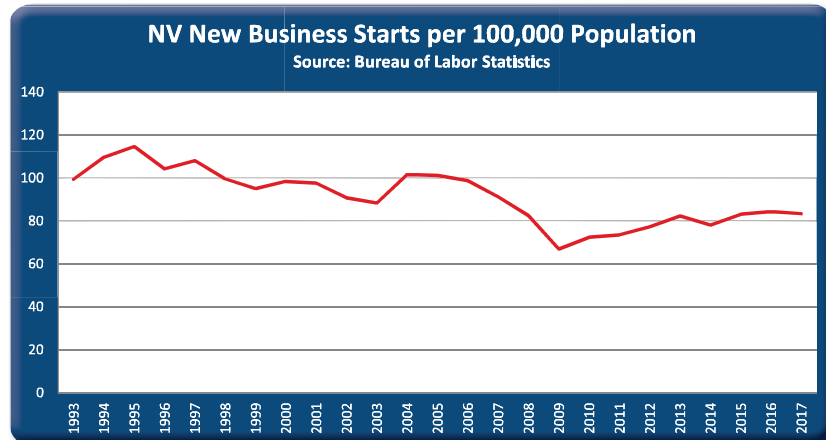
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ECONOMIC OUTLOOK

investment also helped greatly until 2009. Growth in most countries has slowed since then because the government overreach, and demographic and workforce participation and debt problems are worse in other major economies. And trade is now growing slower than the world economy. The most reasonable expectation is that these world trends will continue, not improve, despite (or even due to) low commodity and energy prices.

Hence, all four fundamental factors are now driving U.S. economic growth down from the current 2% annual real levels (1% per person), and so human wellbeing will grow much slower in the future than in the last 250 years. The increasing time since the Great Recession also suggests cyclical factors may stunt growth in coming years. Nevada is not exempt from this unfortunate outlook: As detailed above in the section on spending, the state's public-sector metastasis has been greater and it continues. Other demographic,

debt and international trade and investment factors do not portend improvement from the national economic outlook. Nevada's creditworthiness is a single bright spot. However, low economic growth will yield low expected investment returns, greatly challenging management of state retirement and endowment funds.



VII. SUMMARY, PERSPECTIVE AND POLICY PRESCRIPTIONS

Section I shows Nevada state spending has grown faster than incomes of Nevada families and businesses and thus faster than our economy. Not only does this impose an ever greater burden on Nevadans, whose real incomes are lower than those of a decade ago, but it is an unsustainable trend. Section VI shows that government spending at all levels for 60 years has exceeded the public-interest levels that maximize human wellbeing and fairness, and yet it is still increasing. Such government overreach has growing adverse effects because it increasingly slows economic growth. State and local spending is at least as big a part of this problem as federal spending. Sections I–V show the excess growth of state spending has been driven by health and social services, education, transportation and local government total compensation (pay and benefits).

Slow productivity growth in government and the two sectors most affected by it, health care and education, causes slow growth of total incomes and increasing unfairness. This is illustrated by comparing examples from three private sectors to those of government, health care and education. First, the price of a three-minute coast-to-coast telephone call has decreased over the last century from about 90 hours' average wage to nearly zero. Second, the price of a mattress and box springs, a product that has not benefitted from great technological advances like those in communications, has dropped over 85% since 1929. Third, since 1925, the

fraction of family income spent on food has fallen from 25% to less than 10%. While the prices are lower, the products today are much better. Market competition creates such benefits to incomes and fairness via increased consumer choice, reduced costs, and increased value and quality.

By contrast, government spending has grown from about 26% of our economy to 35% in 60 years. Spending on health care has doubled from about 9% to 18% in 25 years. And spending on education has risen from \$9,883 per student in 1990 to \$13,119 in constant 2016-17 dollars (real terms). The growth of these sectors relative to the economy has been due partly to poor productivity growth – that is, slow business innovation and implementation of technological gains. It's due also to continuing mission creep (the expanding scopes of their activities – e.g., adding elements of preventive medicine coverage by government insurance that have not yet been proven cost-effective) fostered by political processes, not market demand. As these two factors increase the fraction of spending on government, health care and education relative to the economy, they slow overall economic growth and thus the increase in average human wellbeing. This happens because every dollar taken in taxes or other compelled spending ineluctably depresses economic growth and diminishes human wellbeing, while the benefits from the public spending that taxes and fees facilitate are uncertain and sometimes even negative.



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POLICY PRESCRIPTIONS

Section VI also notes that government regulation and other intervention are at least as big a problem as excess government spending, taxing and debt. And it shows three other major reasons economic growth has slowed in the last 10 to 20 years: labor force participation and productivity, increasing debt levels, and America's relations to the rest of the world economy. However, while these three trends are greatly due to public policy, they are mostly the result of federal policy. Since state and local spending, regulation and other intervention are just as much parts of the problem as federal excess in these areas, Nevada definitely needs reform in them too.

Recent upticks in economic growth may offer some hope to the extent they are driven by federal fiscal and regulatory reform that will be sustained for a long time. Tariff increases and other trade skirmishes, however, will tend to slow growth. Also, bubbles may have formed in capital markets due to the persistence of low long-term (market) and short-term (policy driven) interest rates and investors chasing yields in ever riskier asset allocations. It is too early to forecast anything better than a continuation of the economic ennui of the last decade.

What can Nevada do to rein in its excess state spending, the local government excess spending due mainly to excess employee compensation and benefit levels, and the state and local excesses in regulation and other intervention?

The spending problem is driven by our budget model, which starts with current spending, adds increases for inflation and for new programs and projects – but fails to systematically require savings from innovation, technological progress and the pruning of no-longer necessary governmental activities. So, instead of this bottom-up cost-plus model, at the state and local levels we need to adopt a top-down cost-constrained approach that sets a cap on total spending and then allocates the total among various departments, agencies, programs and projects, providing them a mandate to live within the taxpayers' means. This is similar to the budget constraints under which private businesses operate and cause our economy to grow.

For six decades, government spending on average has grown faster than the economy. So a reasonable way to fix the problem is to set for the foreseeable future caps that allow total state spending and local spending in each jurisdiction to grow only at rates somewhat slower than the growth of their economies.

For regulation and other intervention (e.g., Obamacare), our problem is we have failed to assure that the social benefits from each adopted measure exceed its social costs. Hence, we have many economic, health, safety, environmental and other regulations and interventions that on net damage the public interest. We need to start by pruning measures that

do not meet strict social benefit-cost standards. And future measures should be rejected unless they meet that test.

As discussed in the economic outlook section, growth in public spending, taxing, debt, regulation and other intervention is a prime reason economic growth in our nation and state has slowed and will continue to be anemic. Further, claims that budgets have been cut are misleading when actual spending and taxpayer/feepayer burden have increased as they have. Public-sector excess is a drag on the economy and it diminishes human wellbeing and fairness in our society. It, not some alleged failure to adequately fund particular budgets such as HSS and education, is the principal threat to our prosperity and children's welfare. **For a long time to come, Nevada government must grow slower than our economy.** The unvarnished good news is that Nevada's credit situation is very sound.

Education and HHS: Some people argue that Nevada spends insufficiently on K-12 and higher education and on HSS, although they have not said how much would be "enough" in either case. K-12 spending has increased much faster than incomes and all other state spending except that for HSS, especially with the large K-12 increases adopted in 2015. The empirical literature is clear that spending increases from current Nevada levels can be expected to have little or no effect on student achievement. Higher education needs to rein in its excess administrative bloat and salaries. The increases in HSS spending have been driven by state decisions and federal mandates and financed substantially by federal grants and contributions. Federal support for HSS programs may be diminished significantly in coming years. So, Nevada faces another major spending problem as it seeks either to rein in spending to reasonable levels determined by its revenues instead of increasing taxes again as it has often done.

Public Employee Retirement System: Nevada's PERS system is managing its investments with the right approach, but it has not yet adopted reasonable discount rates (expected rates of return on its investments) for future liabilities for planning and determining contribution rates. It should adopt a rate of 5%, reflecting the realistic total net return assumptions for its investments. PERS also needs to reset expected membership growth rates to 2.5%, the level it has achieved. And it should adjust working- and retirement-years assumptions to levels that reflect current and prospective demographics to correct a long history of burdening future taxpayers and future plan participants with subsidies to retired government employees. PERS also needs to come into the 21st Century concerning open records, transparency and accountability. It should stop fighting to the death legitimate public records act requests and recognize that its duty to taxpayers and PERS members requires it to make all records related to its financial position fully accessible to the public, not hidden in its actuary's office.



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POLICY PRESCRIPTIONS

Nevada must also work to revitalize the dynamism of its economy and promote genuine entrepreneurship as the path to sustained growth and economic development.

Occupational and professional licensing laws that are here more onerous than in other states place artificial barriers before enterprising individuals, limit their earning potential and diminishing the contributions they can make to Nevada. Nevada retains dubious licensing schemes that exist in only a handful of states. For instance, 47 states impose no special licensing requirements for interior designers, but Nevada requires practitioners to complete six years of education and apprenticeship requirements, pay fees, and pass a state-administered test before contracting for services.

Such barriers to entry into middle-class occupations severely dampen opportunities available to Nevada's citizens and to the kinds of domestic immigrants we need. The traditional rationale for occupational licensing is that certain occupations present substantial risk of physical harm to the public when practiced by unknowledgeable or unskilled persons. For instance, patients benefit from the assurance that their surgeon has the required skill and knowledge to perform surgical procedures. However, the proliferation of licensing requirements in Nevada to occupations like interior design has little to no basis in this rationale.

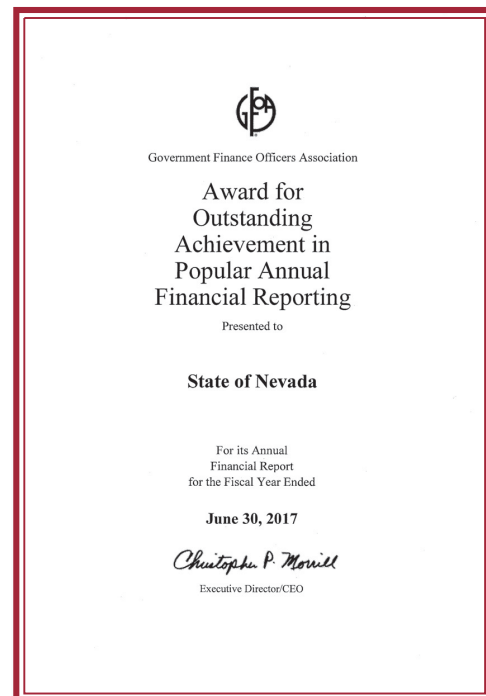
While laws like these needlessly limit the upward mobility and opportunities available to Nevada's residents, the state's approach to economic development has focused on providing incentives to select private firms with political influence. Substantial packages of targeted tax incentives have been awarded recently to Tesla Motors and the Raiders football team. In addition, the Legislature has crafted legislation in recent years to authorize outright cash grants of state funds to private firms, preferential "economic development" utility rates and transferable tax credits that can be sold for cash on secondary markets and used to satisfy most state tax liabilities of the buyer.

Litigation has been filed to challenge the constitutionality of Nevada's Catalyst Fund, which uses legislative appropriations to award cash grants to private firms. The litigants claimed the Fund, created in 2011, violates Article 8, Section 9 of the *Nevada Constitution*, which reads: "The State shall not donate or loan money, or its credit, subscribe to or be, interested in the Stock of any company, association, or corporation, except corporations formed for educational or charitable purposes." The litigants claim the State's award of cash grants damages the competitors of grant recipients, whose tax dollars are used to subsidize their recipient competitors.

Beyond these legal issues, cash grants, tax abatements and other awards to particular firms signal of official state support

for them but distort investment. Financiers and investors become reluctant to support ventures that compete with state-supported entities and more likely to support recipients of state support even if their prospects are less promising on a pure market basis. The result is a suppression of genuine entrepreneurship and slower economic growth as Nevada, along with the nation, has moved increasingly toward corporatism and cronyism. This discouragement of organic entrepreneurship is apparent in statistics cited in Section VI regarding a decades-long decline in Nevada's rate of business formation.

Nevada must restore hope for its future generations by abandoning these interventionist and corporatist policies and sweeping away unnecessary barriers to organic entrepreneurship and business formation. The promise for Nevada's future is found in the dreams, talents and creativity of its people and not in the political deals made with cronies regarding tax dollars and abatements and regulatory favors.



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NEVADA CONTROLLER

RON KNECHT, MS, JD & PE

Ron Knecht, an economist, financial and policy analyst, Professional Mechanical Engineer (registered in California) and law-school graduate, became Controller on January 5, 2015. As Controller, he also serves on Nevada's Board of Finance, Executive Audit Committee and Department of Transportation Board of Directors.

Ron, his Deputy and team cut Controller's office spending 13% from the levels passed by the Legislature and Governor based on his predecessor's request. While returning over \$1-million to the state treasury, they made innovations and he wrote most of Nevada's first three Controller's Annual Reports (CARs), which won awards.

He inherited a troubled debt collection IT development project based on a flawed contract. Ron and the team worked tirelessly with the developer and others to twice renegotiate the contract and successfully turn around the project. In the first year using the new system, they increased debt collection revenues 3.5 times. Ron is also co-leading the business process re-engineering for all state agencies and development of a huge all-functions enterprise resource management IT system (SMART21) to fully integrate the agencies' IT systems by 2022.

Ron wrote the detailed analysis showing why all of the new CAR (a/k/a Popular Annual Financial Report, or PAFR) should be included in Nevada's Comprehensive Annual Financial Report (CAFR), as it now is. He backed his Chief CAFR Accountant in requiring Nevada state and local agencies to reform their reporting of pension-related information to fully conform to Government Accounting Standards Board requirements.

He led a team that developed an alternative state budget in 2015 that would have obviated a tax increase. Since the Legislature passed and the Governor signed Nevada's largest tax increase ever, he has led efforts to repeal the worst part of the increase, the Commerce Tax. He has also led efforts to reform the forecasting of returns on state pension investments and expected employee counts to avoid a crisis due to underfunding.

Before becoming Controller, Ron divided 44 working years between public service and entrepreneurial small business, all in managerial/executive and senior professional positions. He's been a founder, executive or director for 12 firms, charities, community-service and public-interest groups.

In previous jobs, he testified extensively as an expert witness on a number of subjects. In 2012-14, 1986-2001 and 1976-78, he was a consultant, expert witness and business executive. In 2001-12, he was a senior economist at Nevada's Public Utilities Commission. He held principal economics, finance, policy and technology positions in 1978-86 at California's Energy and Public Utilities Commissions, and he also served in management roles.

In 2009-13 he co-taught about ten two-day seminars for SNL Financial on utility finance, cost of capital, and economic and policy issues for regulators, professionals, managers and securities analysts. In 1973-77, he was a Research Associate and Research Engineer at the University of Illinois. In 1972-73 he was Assistant City Engineer in Urbana, Illinois. Nowadays he regularly speaks at institutional investor conferences.

Ron was elected to the Board of Regents of the Nevada System of Higher Education in 2006 and re-elected in 2012. For two years each, he chaired the Budget & Finance and Audit Committees; for seven years he was very active on the Investment & Major Projects Committee, which oversees \$1-billion of endowment and operating funds. He served on four other committees and on institutional presidential selection and performance-review committees, chairing two of them. Ron was elected to the Nevada Assembly for 2002-04 from Carson City, serving on the Commerce & Labor, Government Affairs and Transportation committees.

With some scholarship support, he worked his way through undergraduate and early graduate studies at the University of Illinois (BA, Liberal Arts & Sciences; mathematics major; physics & chemistry minor; 1971). Spending most of his working career in San Francisco and Silicon Valley, he paid his way at Stanford University (MS, Engineering Economic Systems; 1989) and the University of San Francisco (JD; 1995) while working full time. He's been a columnist for print and on-line papers and has taught part-time at two colleges.

The most important things in Ron's life are his wife Kathy, their teenage daughter Karyn, and their parents and families. Raised in a small town in the Midwest, he was always active in a wide range of athletics and outdoor activities - a competitive distance runner in high school and college. He enjoys ballet, modern dance, symphony, opera, rock & roll, country & western, theater and film, and he collects baseball cards and pursues other hobbies.



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FINANCIAL SECTION



Did you know there are currently about 67,000 wild horses and burros in the West? Most of them free-roam on ranges controlled by the Federal Bureau of Land Management. You can view the horses either by hiking or driving by where the herds roam, or signing onto a specialized tour. The horses we are featuring are from the Virginia Range and Pine Nut Range. The Stallion on the left is named Storm and the two below are from his band. They are Belleza and her colt Lakahota.





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, 2018, 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 24.94 percent of the assets and deferred outflows of resources, 9.54 percent of net position, and 3.76 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 97.03 percent of assets and deferred outflows of resources, 99.68 percent of net position, and 97.63 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 2.08 percent of the revenues of the aggregate remaining fund information;

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- the financial statements of the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees’ Fund, which in the aggregate, represent 60.41 percent of the assets and deferred outflows of resources, 61.61 percent of the net position and 28.21 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 34.04 percent of the assets and deferred outflows of resources, 35.16 percent of the net position and 55.32 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;
- 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, 2018, 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 has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which has resulted in a restatement of net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Correction of Errors

As discussed in Note 19 to the financial statements, the State of Nevada corrected an error in the General Fund Medicaid federal reimbursements and related expenditures recorded in fiscal year 2017, which resulted in a restatement of net position as of July 1, 2017. In addition, as discussed in Note 19 to the financial statements, the State of Nevada corrected an error in the Unemployment Compensation Fund for assessment revenue recorded in fiscal year 2017, which resulted in a restatement of net position as of July 1, 2017. 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 postemployment benefits other than pensions (OPEB) information, the pension plan information, and the schedule of infrastructure condition and maintenance data, collectively presented on pages 102 through 106 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 January 7, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Nevada's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Nevada's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eric Bailly LLP".

Reno, Nevada
January 7, 2019

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, 2018. 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 \$6.7 billion (reported as net position). Of this amount, \$5.7 billion is net investment in capital assets and \$3.4 billion is restricted for specific uses, neither of which are available to meet the State's general obligations, and a negative \$2.4 billion is reported as an unrestricted deficit, which indicates no funds are available for discretionary purposes.
- The State's total net position decreased by \$224.7 million or 3.2% over the prior year. Net position of governmental activities decreased by \$754.7 million or 14.5%. Net position of business-type activities increased by \$530.0 million or 30.7%. Due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), the State recorded \$22.8 million in deferred outflows of resources and \$825.0 million liability related to the prior year, for a net decrease of \$802.2 million to beginning net position. Beginning net position of governmental activities decreased by \$809.5 million, of which \$786.7 million is a decrease due to the implementation of GASB Statement No. 75 and \$22.8 million is a decrease to correct an error from 2017 for an understatement of Medicaid incurred but not reported claims expenditures and related federal reimbursement. Beginning net position of business-type activities decreased by \$66.5 million, of which \$15.5 million is a decrease due to implementation of GASB Statement No. 75 and a decrease of \$51.0 million due to an overstatement of 2017 unemployment assessment receivables and revenues.

Fund-level:

- The State's governmental funds reported combined ending fund balances of \$1,986.3 million, a decrease of \$132.6 million from the prior year, before restatement. Of the ending fund balance, \$494.0 million is nonspendable, \$740.9 million is restricted, \$991.9 million is committed and a negative \$240.5 million is unassigned.
- The State's enterprise funds reported combined ending net position of \$2,254.5 million, an increase of \$529.9 million from the prior year, before restatement. Of the ending net position, \$6.1 million is net investment in capital assets, \$2,226.8 million is restricted, and \$21.6 million is unrestricted.

Capital Assets and Long-term Debt:

- The State's capital assets, net of depreciation, increased by \$163.2 million or 2.3%.
- The State's total bonds payable and certificates of participation payable decreased by \$78.0 million or 2.6%.

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, a schedule of postemployment benefits other than pensions (OPEB) 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, 2018 and 2017 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
	2018	2017	2018	2017	2018	2017	2018-2017
Assets							
Current and other assets	\$ 4,722,494	\$ 4,470,888	\$ 3,173,635	\$ 2,748,174	\$ 7,896,129	\$ 7,219,062	\$ 677,067
Net capital assets	7,137,710	6,973,989	14,223	14,712	7,151,933	6,988,701	163,232
Total assets	<u>11,860,204</u>	<u>11,444,877</u>	<u>3,187,858</u>	<u>2,762,886</u>	<u>15,048,062</u>	<u>14,207,763</u>	<u>840,299</u>
Deferred outflows of resources	460,239	427,810	8,201	7,571	468,440	435,381	33,059
Liabilities							
Current liabilities	2,012,636	1,779,280	70,456	69,179	2,083,092	1,848,459	234,633
Long-term liabilities	5,632,170	4,704,329	866,682	973,101	6,498,852	5,677,430	821,422
Total liabilities	<u>7,644,806</u>	<u>6,483,609</u>	<u>937,138</u>	<u>1,042,280</u>	<u>8,581,944</u>	<u>7,525,889</u>	<u>1,056,055</u>
Deferred inflows of resources	221,644	180,372	4,246	3,517	225,890	183,889	42,001
Net position							
Net investment in capital assets	5,694,397	5,623,373	6,121	6,446	5,700,518	5,629,819	70,699
Restricted	1,208,340	1,165,363	2,226,783	1,704,681	3,435,123	2,870,044	565,079
Unrestricted (deficit)	(2,448,744)	(1,580,030)	21,771	13,533	(2,426,973)	(1,566,497)	(860,476)
Total net position	<u>\$ 4,453,993</u>	<u>\$ 5,208,706</u>	<u>\$ 2,254,675</u>	<u>\$ 1,724,660</u>	<u>\$ 6,708,668</u>	<u>\$ 6,933,366</u>	<u>\$ (224,698)</u>

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 \$6.7 billion at the end of 2018, compared with \$6.9 billion at the end of the previous year.

The largest portion of the State's net position (\$5.7 billion or 85.0%) 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 (\$3.4 billion or 51.2%) 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 \$2.4 billion or (36.2%) as compared to a \$1.6 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 increased by \$868.7 million; from a deficit of \$1.6 billion to a deficit of \$2.4 billion. Changes in governmental activities were a result of several factors, including an increase in the unrestricted fund balance of the General Fund of \$142.9 million and an increase of \$39.1 million in deferred inflows of resources for unrestricted and unavailable revenue recognized as revenue in the government-wide statement of net activities. In business-type activities the unrestricted net position increased by \$8.2 million from a net position of \$13.5 million to a net position of \$21.8 million. The increase is primarily due to an increase in the unrestricted net position of the Housing Division fund in the amount of \$14.0 million.

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

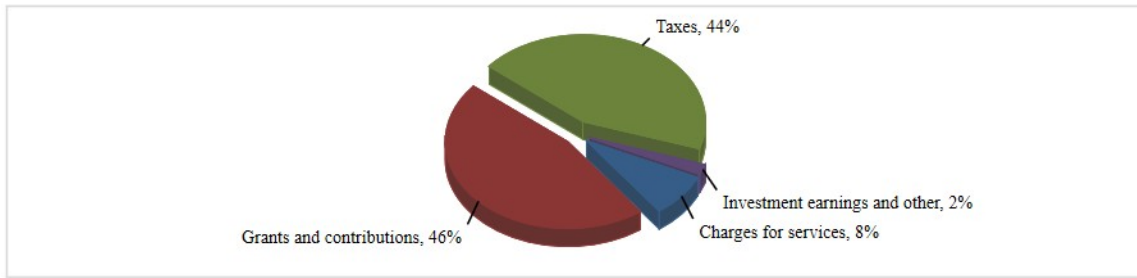
	Governmental Activities		Business-type Activities		Total		Total Change
	2018	2017	2018	2017	2018	2017	2018-2017
Revenue							
Program revenue							
Charges for services	\$ 900,670	\$ 902,110	\$ 133,898	\$ 123,222	\$ 1,034,568	\$ 1,025,332	\$ 9,236
Operating grants and contributions	5,274,340	5,076,398	82,657	83,365	5,356,997	5,159,763	197,234
Capital grants and contributions	21,999	31,458	-	-	21,999	31,458	(9,459)
General revenues:							
Gaming taxes	868,923	896,571	-	-	868,923	896,571	(27,648)
Sales and use taxes	1,340,985	1,285,247	-	-	1,340,985	1,285,247	55,738
Modified business taxes	584,212	572,873	-	-	584,212	572,873	11,339
Insurance premium taxes	394,543	358,499	-	-	394,543	358,499	36,044
Lodging taxes	179,951	178,846	-	-	179,951	178,846	1,105
Cigarette taxes	160,665	180,677	-	-	160,665	180,677	(20,012)
Commerce taxes	205,013	198,322	-	-	205,013	198,322	6,691
Property and transfer taxes	277,987	247,939	-	-	277,987	247,939	30,048
Motor and special fuel taxes	316,780	299,426	-	-	316,780	299,426	17,354
Other taxes	635,151	680,739	653,150	624,242	1,288,301	1,304,981	(16,680)
Unrestricted investment earnings	10,864	2,645	-	-	10,864	2,645	8,219
Other general revenues	203,347	207,338	-	-	203,347	207,338	(3,991)
Total revenue	11,375,430	11,119,088	869,705	830,829	12,245,135	11,949,917	295,218
Expenses							
General government	289,383	351,831	-	-	289,383	351,831	(62,448)
Health services	4,142,999	3,957,042	-	-	4,142,999	3,957,042	185,957
Social services	1,700,745	1,545,446	-	-	1,700,745	1,545,446	155,299
Education - K-12 state support	1,612,584	1,478,773	-	-	1,612,584	1,478,773	133,811
Education - K-12 administrative	563,634	580,719	-	-	563,634	580,719	(17,085)
Education - higher education	717,073	570,398	-	-	717,073	570,398	146,675
Law, justice and public safety	729,018	750,614	-	-	729,018	750,614	(21,596)
Regulation of business	315,038	295,766	-	-	315,038	295,766	19,272
Transportation	851,333	841,046	-	-	851,333	841,046	10,287
Recreation and resource development	178,524	161,621	-	-	178,524	161,621	16,903
Interest on long-term debt	74,499	73,785	-	-	74,499	73,785	714
Unallocated depreciation	2,766	2,673	-	-	2,766	2,673	93
Unemployment insurance	-	-	297,531	313,306	297,531	313,306	(15,775)
Housing	-	-	23,582	19,316	23,582	19,316	4,266
Water loans	-	-	7,017	4,802	7,017	4,802	2,215
Workers' compensation and safety	-	-	39,276	30,011	39,276	30,011	9,265
Higher education tuition	-	-	11,293	23,383	11,293	23,383	(12,090)
Other	-	-	31,488	32,181	31,488	32,181	(693)
Total expenses	11,177,596	10,609,714	410,187	422,999	11,587,783	11,032,713	555,070
Change in net position before contributions to permanent funds, special items and transfers	197,834	509,374	459,518	407,830	657,352	917,204	(259,852)
Contributions to permanent funds	10,005	9,586	-	-	10,005	9,586	419
Special item - termination of project construction	(16,054)	-	-	-	(16,054)	-	(16,054)
Transfers	(137,005)	(146,901)	137,005	146,901	-	-	-
Change in net position	54,780	372,059	596,523	554,731	651,303	926,790	(275,487)
Net position - beginning of year	5,208,706	4,804,920	1,724,660	1,166,231	6,933,366	5,971,151	962,215
Net position restatement	(809,493)	31,727	(66,508)	3,698	(876,001)	35,425	(911,426)
Net position - beginning of year (as restated)	4,399,213	4,836,647	1,658,152	1,169,929	6,057,365	6,006,576	50,789
Net position - end of year	\$ 4,453,993	\$ 5,208,706	\$ 2,254,675	\$ 1,724,660	\$ 6,708,668	\$ 6,933,366	\$ (224,698)

Changes in Net Position:

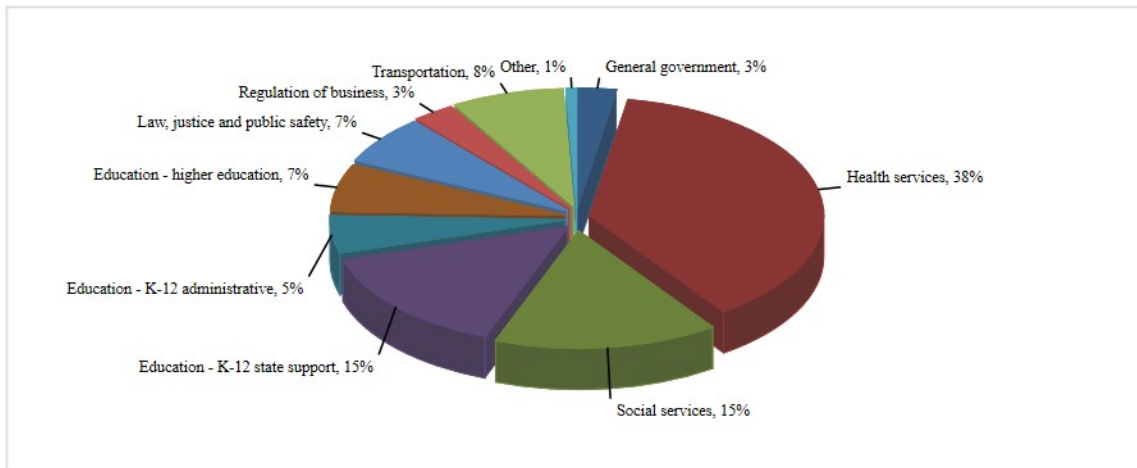
Total government-wide revenues increased by \$295.2 million during the current year. The increase in revenues is a result of several factors, including increases of \$197.2 million in federal funding, \$55.7 million in sales and use taxes, \$36.0 million in insurance premium taxes and \$30.0 million in property and transfer taxes. Program revenues from charges for services increased by \$9.2 million compared to the prior year.

Governmental activities – The current year net position increased by \$54.8 million. Approximately 43.6% of the total revenue came from taxes, while 46.6% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 7.9% of the total revenues (see chart following). The State's governmental activities expenses cover a range of services and the largest expenses were 37.3% for health services, 15.3% for social services, and 14.5% for state support of K-12 education (see chart following). In 2018, governmental activities expenses exceeded program revenues, resulting in the use of \$4.9 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:



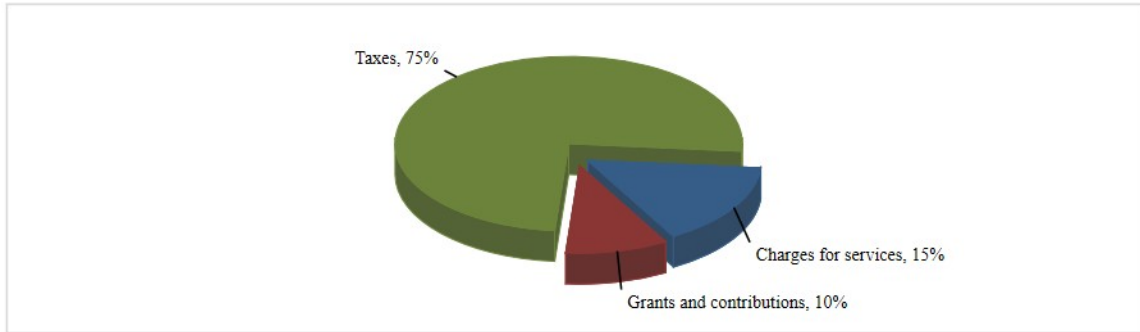
The following table depicts the total program revenues and expenses for each function of governmental activities:

Revenues and Expenses by Function: Governmental Activities
(expressed in thousands)

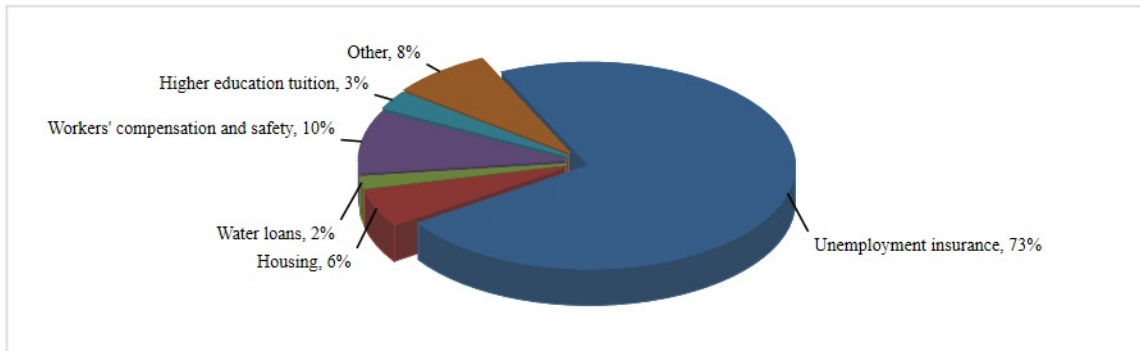
	Expenses	Revenues
General government	\$ 289,383	\$ 219,197
Health services	4,142,999	3,315,484
Social services	1,700,745	1,208,066
Education - K-12 state support	1,612,584	3,821
Education - K-12 administrative	563,634	319,259
Education - higher education	717,073	-
Law, justice and public safety	729,018	315,236
Regulation of business	315,038	269,389
Transportation	851,333	435,301
Recreation and resource development	178,524	110,081
Total	\$ 11,100,331	\$ 6,195,834

Business-type activities – The current year net position increased by \$596.5 million. Approximately 75.1% of the total revenue came from taxes, while 9.5% was in the form of grants and contributions (including federal aid). Charges for various goods and services provided 15.4% of the total revenues (see chart following). The State’s business-type activities expenses cover a range of services. The largest expenses were 72.5% for unemployment compensation (see chart following). In 2018, business-type activities expenses exceeded program revenues by \$193.6 million. Of this amount, unemployment compensation was the largest, with net expenses of \$265.4 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:

	Expenses	Revenues
Unemployment insurance	\$ 297,531	\$ 32,166
Housing	23,582	32,742
Water loans	7,017	26,292
Workers' compensation and safety	39,276	57,186
Higher education tuition	11,293	35,921
Other	31,488	32,248
Total	\$ 410,187	\$ 216,555

The State's overall financial position improved over the past year. Current year operations resulted in a \$54.8 million increase in the net position of the governmental activities and a \$596.5 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 \$65.1 million or 1.3% compared to an increase of \$330.9 million or 7.2% in the prior fiscal year. In addition, operating grants and contributions for governmental activities increased \$197.9 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 \$2.0 billion, a decrease of \$132.6 million from the prior year. Of these total ending fund balances, \$494.0 million or 24.9% is nonspendable, either due to its form or legal constraints, and \$740.9 million or 37.3% is restricted for specific programs by external constraints,

constitutional provisions, or contractual obligations. An additional \$991.9 million or 49.9% 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. Additionally, commencing with the fiscal year that begins on July 1, 2017, 1% of the total anticipated revenue for the fiscal year in which the transfer will be made, as projected by the Economic Forum for that fiscal year, will also be deposited to the Stabilization Account. 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, 2018 is \$235.7 million. The remaining negative \$240.5 million or (12.1%) 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 \$547.7 million compared to \$556.7 million in the prior fiscal year. The fund balance decreased by \$9.0 million or 1.6% over the previous year. The negative unassigned fund balance of \$240.5 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, 2018 and 2017 (expressed in thousands). Other financing sources are not included.

	General Fund Revenues (expressed in thousands)					
	2018		2017		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gaming taxes, fees, licenses	\$ 849,965	8.8 %	\$ 884,599	9.5 %	\$ (34,634)	(3.9)%
Sales taxes	1,337,930	13.9 %	1,282,745	13.7 %	55,185	4.3 %
Modified business taxes	581,844	6.1 %	575,233	6.2 %	6,611	1.1 %
Insurance premium taxes	394,263	4.1 %	358,482	3.8 %	35,781	10.0 %
Lodging taxes	179,951	1.9 %	178,846	1.9 %	1,105	0.6 %
Cigarette taxes	160,665	1.7 %	180,677	1.9 %	(20,012)	(11.1)%
Commerce taxes	201,927	2.1 %	197,827	2.1 %	4,100	2.1 %
Property and transfer taxes	106,921	1.1 %	87,446	0.9 %	19,475	22.3 %
Motor and special fuel taxes	2,255	0.0 %	2,220	0.0 %	35	1.6 %
Other taxes	406,907	4.2 %	320,521	3.4 %	86,386	27.0 %
Intergovernmental	4,867,647	50.7 %	4,727,482	50.6 %	140,165	3.0 %
Licenses, fees and permits	383,914	4.0 %	359,687	3.8 %	24,227	6.7 %
Sales and charges for services	67,368	0.7 %	71,813	0.8 %	(4,445)	(6.2)%
Interest and investment income	9,593	0.1 %	2,820	0.0 %	6,773	240.2 %
Settlement income	1,151	0.0 %	-	0.0 %	1,151	0.0 %
Other	57,840	0.6 %	116,252	1.2 %	(58,412)	(50.2)%
Total revenues	\$ 9,610,141	100.0 %	\$ 9,346,650	100.0 %	\$ 263,491	2.8 %

The total General Fund revenues increased \$263.5 million or 2.8%. The largest increases in revenue sources were \$140.2 million or 3.0% in intergovernmental revenues, \$86.4 million or 27.0% in other taxes, \$55.2 million or 4.3% in sales taxes and \$35.8 million or 10.0% in insurance premium taxes. The increase in intergovernmental revenues is primarily due to an increase of \$163.5 million in receipts for Medicaid over the prior year. Decreases in revenue sources were primarily due to \$58.4 million of other revenue, of which \$48 million represents a refund of the Home Means Nevada grant, \$34.6 million or 3.9% in gaming taxes, fees and licenses and a decrease in cigarette tax of \$20.0 million over the prior year.

The following schedule presents a summary of expenditures by function of the General Fund for the fiscal years ended June 30, 2018 and 2017 (expressed in thousands). Other financing uses are not included.

	General Fund Expenditures (expressed in thousands)					
	2018		2017		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 177,106	1.8 %	\$ 139,990	1.5 %	\$ 37,116	26.5 %
Health services	4,132,487	42.6 %	3,948,218	43.0 %	184,269	4.7 %
Social services	1,592,241	16.4 %	1,545,419	16.8 %	46,822	3.0 %
Education - K-12 state support	1,612,584	16.6 %	1,478,773	16.1 %	133,811	9.0 %
Education - K-12 administrative	562,281	5.8 %	588,991	6.4 %	(26,710)	(4.5)%
Education - higher education	645,297	6.7 %	583,819	6.4 %	61,478	10.5 %
Law, justice and public safety	530,498	5.5 %	498,523	5.4 %	31,975	6.4 %
Regulation of business	292,614	3.0 %	274,436	3.0 %	18,178	6.6 %
Recreation and resource development	146,621	1.5 %	130,315	1.4 %	16,306	12.5 %
Debt service	3,718	0.0 %	3,502	0.0 %	216	6.2 %
Total expenditures	\$ 9,695,447	100.0 %	\$ 9,191,986	100.0 %	\$ 503,461	5.5 %

The total General Fund expenditures increased 5.5%. The largest increases in expenditures were \$184.3 million or 4.7% in health services expenditures due to expansion of the Medicaid program, \$133.8 million or 9.0% in education - K-12 state support, \$61.5 million or 10.5% in higher education expenditures, and \$46.8 million or 3.0% in social services expenditures. The largest decrease was \$26.7 million or 4.5% in education - K-12 administrative expenditures.

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 decreased by \$18.0 million or 3.3% during the current fiscal year compared to an increase of \$17.3 million or 3.3% in the prior year. Total revenues increased by \$79.3 million. This was primarily due to increases in motor vehicle government services tax of \$22.2 million, federal reimbursements of \$11.9 million, local government reimbursements of \$18.4 million and vehicle registration fees of \$5.0 million. Expenditures increased by \$52.3 million or 4.6% over the prior year. This was primarily due to an increase in current expenditures for transportation projects of \$37.5 million and an increase in personnel costs of \$6.5 million. 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. Other financing sources and uses decreased by \$62.4 million or 33.2% over the prior year, primarily due to a decrease of \$50.3 million in bonds issued for transportation projects.

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 increased by \$1.7 million during the current fiscal year, which is a 1.9% increase from the prior year. This increase was primarily due to bonds issued of \$6.0 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 \$9.9 million during the current fiscal year, which is a 2.8% increase from the prior year. This increase was due to revenues from land sales and court fines.

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 \$2,236.6 million, the net position of the nonmajor enterprise funds is \$18.0 million and the total combined net position of all enterprise funds is \$2,254.5 million. The combined net position of all enterprise funds increased by \$529.9 million in 2018, of which \$15.5 million is a decrease to beginning net position due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, \$51.0 million is a decrease to beginning net position due to an overstatement of unemployment assessment receivables and revenue in fiscal year 2017, and \$596.4 million is the current year increase in net position, for an ending net position of \$2,254.5 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 home buyers with low or moderate incomes. The net position increased by \$8.6 million or 4.2%, of which \$.7 million is a decrease to beginning net position due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits*

Other Than Pensions, resulting in an ending net position of \$215.1 million. Revenues from interest on loans increased by 32.8% reflecting Nevada's improved housing market. Operating expenses increased by \$2.3 million, and operating revenues increased by \$2.8 million.

The *Unemployment Compensation Fund* accounts for the payment of unemployment compensation benefits to unemployed State citizens. The net position increased by \$487.6 million during the current fiscal year, of which \$51.0 million is a decrease to beginning net position due to an overstatement of unemployment assessment receivables and revenues in the prior year, resulting in an ending net position of \$1,485.6 million. The increase in net position is primarily due to revenues exceeding expenses by \$387.3 million and a transfer of \$155.4 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 2018, \$297.3 million of unemployment compensation benefits was paid to unemployed State citizens compared to \$310.0 million paid in fiscal year 2017, representing a 4.1% 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 \$17.1 million during the current fiscal year, of which \$.2 million is a decrease to beginning net position due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for a final net position of \$432.8 million, which is a 4.1% 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 twentieth enrollment period during the fiscal year with 767 new enrollments. The net position increased \$25.3 million, for an ending net position of \$103.1 million, a 32.5% increase over last year, primarily due to a decrease in claims expenses.

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 2018, total internal service fund net position decreased by \$11.0 million, of which \$21.4 million is a decrease to beginning net position due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for a final net position of \$2.4 million. The three 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 \$2.1 million, of which \$1.3 million is a decrease to beginning net position due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for a final net position of \$76.2 million. The remaining increase is considered a normal fluctuation in insurance premium income and in claims expense.

The *Information Services Fund* accounts for design, maintenance and operation of the State's central computer facility, radio communication and telecommunication systems. Net position decreased by \$4.8 million, of which \$9.4 million is a decrease to beginning net position due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for a final net position deficit of \$14.5 million. The increase in net position from current activity of \$4.7 million is considered a normal fluctuation in services and expenses of the fund.

The *Insurance Premiums Fund* accounts for general, civil (tort), auto and property casualty liabilities of State agencies. The net position deficit decreased by \$3.9 million or (8.0)% during the current year, of which \$.4 million is a decrease to beginning net position deficit due to implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in an ending net position deficit of \$45.0 million. The remaining deficit decrease of \$4.4 million is primarily due to a decrease in insurance claims and expenses of 26.5% in the current year.

ANALYSIS OF GENERAL FUND BUDGET VARIATIONS

The General Fund budgetary revenues and other financing sources were \$678.8 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 \$850.8 million. 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 nonexecutive budgets approved after July 1 and increased estimated receipts were approximately \$850.8 million.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets:

The State's capital assets for governmental and business-type activities as of June 30, 2018 amount to \$8.5 billion, net of accumulated depreciation of \$1.4 billion, leaving a net book value of \$7.1 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 elected 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). The State has set a policy that it will maintain a certain percentage of each category of its roadways with an IRI of less than 95 and will also maintain its bridges so that not more than 10% are structurally deficient or functionally obsolete. The following table shows the State's policy and the condition level of the roadways and bridges:

Condition Level of the Roadways

Percentage of roadways with an IRI of less than 95

	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>
State Policy-minimum percentage	70%	65%	60%	40%	10%
Actual results of 2017 condition assessment	90%	85%	90%	61%	25%
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 Bridges

Percentage of substandard bridges

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State Policy-minimum percentage	10%	10%	10%
Actual results condition assessment	1%	2%	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 2018 by \$33.3 million. Even though actual spending for maintenance and reservation 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 2018 (expressed in millions):

	<u>Expended by</u> <u>June 30, 2018</u>	<u>Total budget</u>
DMV East Sahara Complex	\$ 21.2	\$ 25.0
Northern Nevada Veterans' Home	16.5	19.8
Southern Nevada Veterans' Cemetery Expansion	13.2	13.4
Washoe County Armory Maintenance Shop	6.9	8.9
Secretary of State Online Business Portal	6.6	16.0
Northern Nevada Correctional Center - Electrical	6.1	9.9
Access Nevada Modernization Software	5.9	10.0
Northern Nevada Correctional Center - ADA	2.1	11.3
DMV - South Reno Complex	1.3	42.0
National Guard Readiness Center	1.3	37.1

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 \$2.9 billion in bonds and certificates of participation outstanding, compared to \$3.0 billion last year, a decrease of \$78.0 million or 2.6% 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 AA+. 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 2018 fiscal year and draws on previously authorized Housing bonds were (expressed in thousands):

General Obligation Capital Improvement Bonds	11/07/2017A	\$ 85,635
General Obligation Natural Resources and Refunding Bonds	11/07/2017B	5,890
General Obligation Open Space, Parks, Natural Resources and Refunding Bonds	11/07/2017C	7,940
General Obligation Municipal Bond Bank	11/07/2017D	6,000
General Obligation Safe Drinking Water Revolving Fund Matching Bonds	11/07/2017E	6,215
General Obligation Water Pollution Control Revolving Fund Matching Bonds	11/07/2017F	3,760
Highway Improvement Revenue Bonds MVFT 2018	06/05/2018	125,905
Housing Multi-Unit Boulder Pines II	05/26/2016	7,951
Housing Multi-Unit Vintage at the Crossings	09/08/2016	15,034
Housing Multi-Unit Rose Garden Townhouses	11/17/2016	74
Housing Multi-Unit Baltimore Cleveland	02/03/2017	1,805
Housing Multi-Unit Madison Palms	06/23/2017	2,070
Housing Multi-Unit Steamboat by Vintage	09/26/2017	6,122
Housing Multi-Unit Rose Garden Senior	10/11/2017	5,823
Housing Multi-Unit Sierra Pines	12/15/2017	3,486
Housing Multi-Unit Summit Club	02/09/2018	90,000
Housing Multi-Unit Tenaya Senior	04/18/2018	2,626
Housing Multi-Unit Sky Mountain	06/01/2018	1,603

Additional information on the State's long-term debt obligations can be found in Note 9 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



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Statement of Net Position

June 30, 2018 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 2,114,613	\$ 1,447,437	\$ 3,562,050	\$ 291,760
Investments	334,826	493,296	828,122	1,423,793
Internal balances	(44)	44	-	-
Due from component unit	40,640	-	40,640	-
Due from primary government	-	-	-	148,013
Accounts receivable	113,901	5,139	119,040	25,874
Taxes/assessments receivable	1,312,949	203,427	1,516,376	-
Intergovernmental receivables	611,506	917	612,423	77,646
Accrued interest and dividends	8,678	18,271	26,949	77
Contracts receivable	-	40,772	40,772	-
Mortgages receivable	-	352,278	352,278	-
Notes/loans receivable	106,727	430,822	537,549	8,968
Capital lease receivable	48,500	-	48,500	-
Other receivables	-	-	-	90,959
Inventory	23,692	1,449	25,141	7,791
Prepaid expenses	3,752	336	4,088	27,412
<i>Restricted assets:</i>				
Cash	2,750	-	2,750	164,088
Investments	-	179,432	179,432	12,275
Other assets	4	15	19	99,927
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	5,764,291	568	5,764,859	291,881
Other capital assets, net	1,373,420	13,655	1,387,075	2,022,881
Total assets	11,860,205	3,187,858	15,048,063	4,693,345
Deferred Outflows of Resources				
Deferred charge on refunding	60,077	659	60,736	14,411
Pension contributions	376,875	7,078	383,953	65,700
OPEB contributions	23,287	464	23,751	15,768
Total deferred outflows of resources	460,239	8,201	468,440	95,879
Liabilities				
Accounts payable	1,299,421	56,672	1,356,093	55,327
Accrued payroll and related liabilities	53,006	977	53,983	89,739
Intergovernmental payables	201,323	72	201,395	-
Interest payable	17,697	3,387	21,084	14,616
Due to component units	93,984	1	93,985	-
Due to primary government	-	-	-	40,640
Contracts/retentions payable	104,987	-	104,987	-
Unearned revenues	158,174	9,336	167,510	66,489
Other liabilities	84,044	11	84,055	67,381
Long-term liabilities:				
<i>Portion due or payable within one year:</i>				
Reserve for losses	88,952	-	88,952	-
Obligations under capital leases	3,621	-	3,621	1,561
Compensated absences	70,713	1,336	72,049	35,310
Benefits payable	-	17,509	17,509	-
Bonds payable	191,952	41,572	233,524	45,159
Certificates of participation payable	3,373	-	3,373	-
Pollution remediation obligations	660	-	660	-
<i>Portion due or payable after one year:</i>				
Federal advances	-	-	-	7,236
Reserve for losses	43,922	-	43,922	-
Obligations under capital leases	14,870	-	14,870	49,328
Net pension obligation	2,208,472	43,061	2,251,533	389,093

Statement of Net Position

June 30, 2018 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Net OPEB liability	783,854	15,623	799,477	491,460
Compensated absences	29,955	545	30,500	15,972
Benefits payable	-	200,283	200,283	-
Bonds payable	2,054,432	546,753	2,601,185	761,026
Certificates of participation payable	78,102	-	78,102	-
Due to component unit	54,028	-	54,028	-
Unearned revenue	-	-	-	46,128
Pollution remediation obligations	5,265	-	5,265	-
Total liabilities	7,644,807	937,138	8,581,945	2,176,465
Deferred Inflows of Resources				
Pension related amounts	171,948	3,274	175,222	29,648
OPEB related amounts	48,788	972	49,760	30,589
Taxes	86	-	86	-
Fines and forfeitures	822	-	822	-
Lease revenue	-	-	-	6,722
Split-interest agreements	-	-	-	5,319
Total deferred inflows of resources	221,644	4,246	225,890	72,278
Net Position				
Net investment in capital assets	5,694,397	6,121	5,700,518	1,638,881
Restricted for:				
Unemployment compensation	-	1,485,617	1,485,617	-
Tuition contract benefits	-	103,009	103,009	-
Security of outstanding obligations	-	187,905	187,905	-
Workers' compensation	-	17,476	17,476	-
Capital projects	6,062	-	6,062	175,377
Debt service	26,168	-	26,168	35,317
Education - K to 12	2,323	-	2,323	1,445
Transportation	374,628	-	374,628	-
Recreation and resource development	41,663	432,774	474,437	-
Law, justice and public safety	46,709	-	46,709	-
Health services	316,887	-	316,887	-
Social services	969	-	969	-
Regulation of business	31,955	2	31,957	-
Scholarships	-	-	-	543,790
Loans	-	-	-	6,991
Research and development	-	-	-	10,731
Other purposes	246	-	246	8,298
Funds held as permanent investments:				
Nonexpendable	360,709	-	360,709	402,277
Expendable	21	-	21	-
Unrestricted (deficit)	(2,448,744)	21,771	(2,426,973)	(282,626)
Total net position	\$ 4,453,993	\$ 2,254,675	\$ 6,708,668	\$ 2,540,481

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

Statement of Activities

For the Year Ended June 30, 2018 (Expressed in Thousands)

Function/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
<i>Governmental activities:</i>								
General government	\$ 289,383	\$ 212,509	\$ 6,688	\$ -	\$ (70,186)	\$ -	\$ (70,186)	-
Health services	4,142,999	183,740	3,131,744	-	(827,515)	-	(827,515)	-
Social services	1,700,745	49,653	1,158,413	-	(492,679)	-	(492,679)	-
Education - K-12 state support	1,612,584	-	3,821	-	(1,608,763)	-	(1,608,763)	-
Education - K-12 administrative	563,634	2,717	316,542	-	(244,375)	-	(244,375)	-
Education - higher education	717,073	-	-	-	(717,073)	-	(717,073)	-
Law, justice and public safety	729,018	263,957	47,046	4,233	(413,782)	-	(413,782)	-
Regulation of business	315,038	91,563	177,826	-	(45,649)	-	(45,649)	-
Transportation	851,333	44,720	381,766	8,815	(416,032)	-	(416,032)	-
Recreation and resource development	178,524	51,811	49,320	8,950	(68,443)	-	(68,443)	-
Interest on long-term debt	74,499	-	1,175	-	(73,324)	-	(73,324)	-
Unallocated depreciation	2,766	-	-	-	(2,766)	-	(2,766)	-
Total governmental activities	<u>11,177,596</u>	<u>900,670</u>	<u>5,274,341</u>	<u>21,998</u>	<u>(4,980,587)</u>	<u>-</u>	<u>(4,980,587)</u>	<u>-</u>
<i>Business-type activities:</i>								
Unemployment insurance	297,532	3,442	28,724	-	-	(265,366)	(265,366)	-
Housing	23,582	22,252	10,490	-	-	9,160	9,160	-
Water loans	7,017	9,581	16,711	-	-	19,275	19,275	-
Workers' compensation and safety	39,276	54,130	3,056	-	-	17,910	17,910	-
Higher education tuition	11,293	13,934	21,987	-	-	24,628	24,628	-
Other	31,487	30,559	1,689	-	-	761	761	-
Total business-type activities	<u>410,187</u>	<u>133,898</u>	<u>82,657</u>	<u>-</u>	<u>-</u>	<u>(193,632)</u>	<u>(193,632)</u>	<u>-</u>
Total primary government	<u>\$ 11,587,783</u>	<u>\$ 1,034,568</u>	<u>\$ 5,356,998</u>	<u>\$ 21,998</u>	<u>(4,980,587)</u>	<u>(193,632)</u>	<u>(5,174,219)</u>	<u>-</u>
Total component units	<u>\$ 1,957,652</u>	<u>\$ 767,921</u>	<u>\$ 511,810</u>	<u>\$ 1,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(676,084)</u>

General Revenues:				
Taxes:				
Gaming taxes	868,923	-	868,923	-
Sales and use taxes	1,192,282	-	1,192,282	-
Modified business taxes	584,212	-	584,212	-
Insurance premium taxes	394,543	-	394,543	-
Cigarette taxes	160,665	-	160,665	-
Commerce taxes	205,013	-	205,013	-
Property and transfer taxes	120,488	-	120,488	-
Motor and special fuel taxes	2,255	-	2,255	-
Other taxes	421,887	457	422,344	-
Restricted for unemployment compensation:				
Other taxes	-	652,693	652,693	-
Restricted for educational purposes:				
Sales and use taxes	148,703	-	148,703	-
Lodging taxes	179,951	-	179,951	-
Restricted for debt service purposes:				
Property and transfer taxes	157,499	-	157,499	-
Motor and special fuel taxes	74,524	-	74,524	-
Other	5,165	-	5,165	-
Restricted for recreation and resources development:				
Other taxes	25,279	-	25,279	-
Other	1,911	-	1,911	-
Restricted for health services purposes:				
Other taxes	86,906	-	86,906	-
Restricted for social services purposes:				
Other taxes	13,561	-	13,561	-
Restricted for transportation purposes:				
Motor and special fuel taxes	240,001	-	240,001	-
Other taxes	83,176	-	83,176	-
Restricted for regulation of business:				
Other taxes	4,342	-	4,342	-
Settlement income	44,953	-	44,953	-
Unrestricted investment earnings	10,864	-	10,864	98,100
Gain on sale of assets	-	-	-	537
Other general revenues	151,318	-	151,318	59
Contributions to permanent funds	10,005	-	10,005	9,982
Payments from State of Nevada	-	-	-	705,961
Special item - termination of project construction	(16,054)	-	(16,054)	-
Transfers	(137,005)	137,005	-	-
Total general revenues, contributions, payments, special items and transfers	<u>5,035,367</u>	<u>790,155</u>	<u>5,825,522</u>	<u>814,639</u>
Change in net position	<u>54,780</u>	<u>596,523</u>	<u>651,303</u>	<u>138,555</u>
Net position - beginning	5,208,706	1,724,660	6,933,366	2,903,950
Net position restatement	(809,493)	(66,508)	(876,001)	(502,024)
Net position - beginning (as restated)	<u>4,399,213</u>	<u>1,658,152</u>	<u>6,057,365</u>	<u>2,401,926</u>
Net position - ending	<u>\$ 4,453,993</u>	<u>\$ 2,254,675</u>	<u>\$ 6,708,668</u>	<u>\$ 2,540,481</u>

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



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Balance Sheet

Governmental Funds

June 30, 2018

	General Fund	State Highway	Municipal Bond Bank	Permanent School Fund	Other Governmental Funds	Total Governmental Funds
Assets						
<i>Cash and pooled investments:</i>						
Cash with treasurer	\$ 858,674,879	\$ 504,245,823	\$ 3,953	\$ 16,950,522	\$ 552,347,772	\$ 1,932,222,949
Cash in custody of other officials	4,814,163	190,624	-	950,595	92,374	6,047,756
Investments	13,692,928	-	-	319,542,450	1,590,384	334,825,762
<i>Receivables:</i>						
Accounts receivable	65,762,134	17,855,125	-	660	21,767,757	105,385,676
Taxes receivable	1,265,625,775	46,569,315	-	-	753,491	1,312,948,581
Intergovernmental receivables	531,339,922	66,118,629	-	1,198,914	5,802,497	604,459,962
Accrued interest and dividends	7,246,699	-	1,192,125	231,428	8,028	8,678,280
Notes/loans receivable	15,146,716	-	91,510,000	-	-	106,656,716
Capital lease receivable	-	-	-	-	48,500,000	48,500,000
Due from other funds	35,594,920	10,111,086	580	117,771	35,390,981	81,215,338
Due from fiduciary funds	68,129	-	-	-	1,252,525	1,320,654
Due from component units	112,313	-	-	39,388,102	188,140	39,688,555
Inventory	6,483,286	16,652,304	-	-	329,544	23,465,134
Advances to other funds	4,058,907	3,684,946	-	-	301,272	8,045,125
Restricted cash	2,749,688	-	-	-	-	2,749,688
Prepaid items	2,572,955	628,042	-	-	4,443	3,205,440
Total assets	\$ 2,813,943,414	\$ 666,055,894	\$ 92,706,658	\$ 378,380,442	\$ 668,329,208	\$ 4,619,415,616
Liabilities						
<i>Accounts payable and accruals:</i>						
Accounts payable	\$ 645,387,906	\$ 8,906,412	\$ -	\$ 2,114	\$ 8,588,661	\$ 662,885,093
Accrued payroll and related liabilities	36,577,729	13,146,260	-	-	1,924,602	51,648,591
Intergovernmental payables	182,691,788	17,567,294	-	-	998,133	201,257,215
Contracts/retentions payable	311,657	82,035,939	-	-	22,639,197	104,986,793
Due to other funds	29,124,493	4,522,703	4,338	17,058,123	39,867,500	90,577,157
Due to fiduciary funds	627,652,069	200,307	-	-	16,101	627,868,477
Due to component units	31,876,638	284,236	-	-	61,816,101	93,976,975
Unearned revenues	156,346,807	82,664	-	-	1,695,095	158,124,566
Other liabilities	78,367,682	2,113,066	-	622,690	2,940,543	84,043,981
Total liabilities	1,788,336,769	128,858,881	4,338	17,682,927	140,485,933	2,075,368,848
Deferred Inflows of Resources						
<i>Unavailable revenue:</i>						
Taxes	145,616,540	237,270	-	-	370,414	146,224,224
Intergovernmental	296,792,712	-	-	-	-	296,792,712
Licenses, fees and permits	1,162,817	2,071,018	-	-	107	3,233,942
Sales and charges for services	12,436,125	383,346	-	-	6,830	12,826,301
Settlement income	-	-	-	-	19,556,818	19,556,818
Lease principal payments	-	-	-	-	48,500,000	48,500,000
Interest	1,285,963	630,515	154,678	17,688	690,905	2,779,749
Other	19,659,163	6,590,306	-	660	648,089	26,898,218
Taxes	85,983	-	-	-	-	85,983
Fines and forfeitures	821,760	-	-	-	-	821,760
Total deferred inflows of resources	477,861,063	9,912,455	154,678	18,348	69,773,163	557,719,707
Fund Balances						
Nonspendable	27,620,812	17,280,346	88,085,000	360,679,167	363,987	494,029,312
Restricted	77,802,740	478,494,732	-	-	184,608,647	740,906,119
Committed	682,809,628	31,509,480	4,462,642	-	273,097,478	991,879,228
Unassigned	(240,487,598)	-	-	-	-	(240,487,598)
Total fund balances	547,745,582	527,284,558	92,547,642	360,679,167	458,070,112	1,986,327,061
Total liabilities, deferred inflows of resources and fund balances	\$ 2,813,943,414	\$ 666,055,894	\$ 92,706,658	\$ 378,380,442	\$ 668,329,208	\$ 4,619,415,616

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2018

Total fund balances - governmental funds		\$ 1,986,327,061
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	\$ 168,172,504	
Construction in progress	119,255,433	
Infrastructure assets	4,696,637,803	
Rights-of-way	770,929,564	
Buildings	1,809,593,049	
Improvements other than buildings	146,921,274	
Furniture and equipment	399,943,846	
Software costs	278,781,097	
Accumulated depreciation/amortization	<u>(1,286,024,323)</u>	
Total capital assets		7,104,210,247
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.		556,811,964
Intergovernmental receivable not providing current resources.		198,103
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.		2,309,010
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.		60,076,938
Deferred outflow of resources related to pensions are not reported in the governmental funds		367,535,516
Deferred outflow of resources related to other post-employment benefits are not reported in the governmental funds		22,653,442
Deferred inflow of resources related to pensions are not reported in the governmental funds.		(167,741,452)
Deferred inflow of resources related to other post-employment benefits are not reported in the governmental funds.		(47,460,859)
Certain liabilities for settlement agreements are not due and payable in the current period and therefore are not reported in the funds.		(550,002)
Amounts due to component unit for bonds authorized to be issued are not reported in the funds as they are not due and payable.		(54,028,000)
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	(2,153,773,517)	
Net OPEB liability	(762,533,846)	
Bonds payable	(2,242,674,225)	
Accrued interest on bonds	(17,697,316)	
Certificates of participation	(81,474,660)	
Capital leases	(14,981,144)	
Compensated absences	(97,289,641)	
Pollution remediation liability	<u>(5,925,000)</u>	
Total long-term liabilities		<u>(5,376,349,349)</u>
Net position of governmental activities		<u><u>\$ 4,453,992,619</u></u>

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, 2018

	General Fund	State Highway	Municipal Bond Bank	Permanent School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Gaming taxes, fees, licenses	\$ 849,964,671	\$ -	\$ -	\$ -	\$ 13,332,524	\$ 863,297,195
Sales taxes	1,337,929,739	-	-	-	-	1,337,929,739
Modified business taxes	581,843,729	-	-	-	-	581,843,729
Insurance premium taxes	394,262,749	-	-	-	-	394,262,749
Lodging taxes	179,950,633	-	-	-	-	179,950,633
Cigarette taxes	160,664,759	-	-	-	-	160,664,759
Commerce taxes	201,926,513	-	-	-	-	201,926,513
Property and transfer taxes	106,921,489	-	-	-	171,065,052	277,986,541
Motor and special fuel taxes	2,255,065	240,000,854	-	-	74,524,218	316,780,137
Other taxes	406,907,220	118,174,844	-	-	90,089,885	615,171,949
Intergovernmental	4,867,646,977	410,826,270	-	-	96,042,436	5,374,515,683
Licenses, fees and permits	383,913,526	229,429,703	-	-	21,021,798	634,365,027
Sales and charges for services	67,367,989	19,010,052	-	-	20,711,431	107,089,472
Interest and investment income	9,593,312	4,944,643	3,433,567	16,450,057	3,628,276	38,049,855
Settlement income	1,150,502	-	-	-	42,081,347	43,231,849
Land sales	-	-	-	5,992,581	-	5,992,581
Other	57,839,526	21,153,434	-	4,013,950	10,441,751	93,448,661
Total revenues	9,610,138,399	1,043,539,800	3,433,567	26,456,588	542,938,718	11,226,507,072
Expenditures						
<i>Current:</i>						
General government	177,106,108	-	-	-	35,123,313	212,229,421
Health services	4,132,486,516	-	-	-	81,937	4,132,568,453
Social services	1,592,240,589	-	-	-	88,613,261	1,680,853,850
Education - K-12 state support	1,612,584,169	-	-	-	-	1,612,584,169
Education - K-12 administrative	562,281,022	-	-	-	-	562,281,022
Education - higher education	645,297,136	-	-	-	17,748,314	663,045,450
Law, justice and public safety	530,498,018	191,794,190	-	-	32,701,997	754,994,205
Regulation of business	292,614,454	-	-	-	20,378,983	312,993,437
Transportation	-	994,227,380	-	-	-	994,227,380
Recreation and resource development	146,621,117	-	-	-	32,474,072	179,095,189
Capital outlay	-	-	-	-	69,036,787	69,036,787
<i>Debt service:</i>						
Principal	2,727,197	-	-	-	164,682,000	167,409,197
Interest, fiscal charges	849,375	-	-	-	96,938,144	97,787,519
Debt issuance costs	141,108	725,098	-	-	814,073	1,680,279
Total expenditures	9,695,446,809	1,186,746,668	-	-	558,592,881	11,440,786,358
Excess (deficiency) of revenues over (under) expenditures	(85,308,410)	(143,206,868)	3,433,567	26,456,588	(15,654,163)	(214,279,286)
Other Financing Sources (Uses)						
Bonds issued	4,450,000	125,905,000	6,000,000	-	88,665,000	225,020,000
Refunding bonds issued	3,490,000	-	-	-	-	3,490,000
Premium on bonds issued	948,535	9,824,990	-	-	6,799,635	17,573,160
Payment to refunded bond agent	(3,996,073)	-	-	-	-	(3,996,073)
Sale of capital assets	616,902	-	-	-	11,321	628,223
Transfers in	109,529,490	4,811,934	-	-	82,543,884	196,885,308
Transfers out	(15,863,924)	(15,331,175)	(7,663,585)	(16,558,638)	(279,669,674)	(335,086,996)
Total other financing sources (uses)	99,174,930	125,210,749	(1,663,585)	(16,558,638)	(101,649,834)	104,513,622
Net change in fund balances	13,866,520	(17,996,119)	1,769,982	9,897,950	(117,303,997)	(109,765,664)
Fund balances, July 1	556,686,951	545,280,677	90,777,660	350,781,217	575,374,109	2,118,900,614
Fund balance restatement	(22,807,889)	-	-	-	-	(22,807,889)
Fund balances, July 1 (as restated)	533,879,062	545,280,677	90,777,660	350,781,217	575,374,109	2,096,092,725
Fund balances, June 30	\$ 547,745,582	\$ 527,284,558	\$ 92,547,642	\$ 360,679,167	\$ 458,070,112	\$ 1,986,327,061

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



Luna is beautiful with the fall Colors as a backdrop



Luna's Filly Diva

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

For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds		\$ (109,765,664)
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	\$ 243,229,789	
Depreciation expense	<u>(80,736,502)</u>	
Excess of capital outlay over depreciation expense		162,493,287
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	(225,020,000)	
Refunding bonds issued	(3,490,000)	
Premiums on debt issued	<u>(17,573,160)</u>	
Total bond proceeds		(246,083,160)
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	160,003,675	
Certificates of participation retirement	4,165,000	
Payments to the bond refunding agent	3,996,073	
Capital lease payments	<u>2,382,207</u>	
Total long-term debt repayment		170,546,955
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.		
		10,340,079
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		
		136,511,209
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 change in net assets differs from the change in fund balance by the cost of the asset sold.		
		(1,420,499)
Amortization of deferred loss on early retirement of debt is reported as an expense for the statement of activities.		
		(10,402,340)
Amortization of premiums on bonds and certificates of participation is reported as a reduction of interest expense for the statement of activities.		
		36,474,497
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	(17,464,386)	
Other post-employment benefit costs, net	(22,067,745)	
Accrued interest payable	(56,304)	
Compensated absences	(3,916,021)	
Long term due to component unit	(54,028,000)	
Settlement agreement liability	7,017,789	
Pollution remediation liability	<u>(3,400,000)</u>	
Total additional expenditures		(93,914,667)
Net change in net position - governmental activities		\$ <u>54,779,697</u>

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

Statement of Net Position

Proprietary Funds

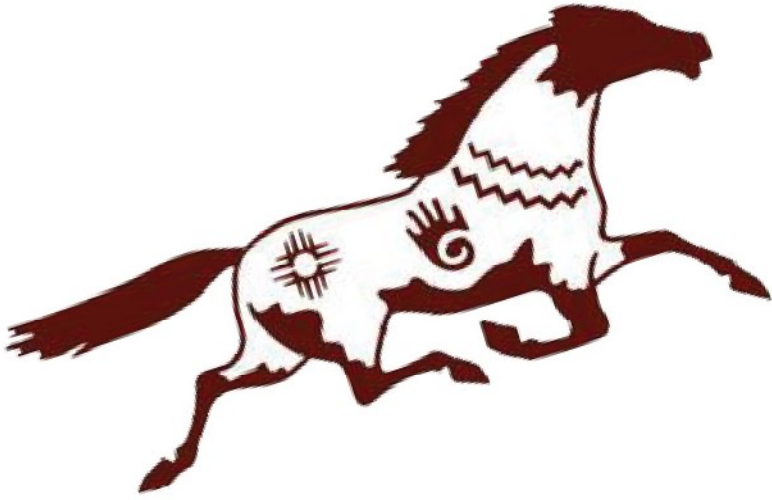
June 30, 2018

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets							
Current assets:							
<i>Cash and pooled investments:</i>							
Cash with treasurer	\$ 1,722,034	\$ -	\$ 74,476,619	\$ 5,428,152	\$ 68,558,925	\$ 150,185,730	\$ 176,342,299
Cash in custody of other officials	8,867,486	1,288,081,093	-	104,682	198,501	1,297,251,762	-
Investments	50,570,700	-	-	274,695,628	-	325,266,328	-
<i>Receivables:</i>							
Accounts receivable	-	-	-	-	5,134,235	5,134,235	3,414,594
Assessments receivable	-	203,427,361	-	-	-	203,427,361	-
Intergovernmental receivables	-	-	342,101	-	574,655	916,756	6,848,101
Contracts receivable	-	-	-	9,233,936	-	9,233,936	-
Mortgages receivable	33,330,544	-	-	-	-	33,330,544	-
Accrued interest and dividends	13,192,010	-	4,706,438	372,605	-	18,271,053	-
Notes/loans receivable	-	-	32,549,290	-	-	32,549,290	5,000
Due from other funds	107,142	-	529,236	38,878	1,629,692	2,304,948	10,463,684
Due from fiduciary funds	-	-	-	-	5,071	5,071	3,780,217
Due from component units	-	-	-	-	-	-	951,272
Inventory	-	-	-	-	1,449,263	1,449,263	226,823
Prepaid items	-	-	-	-	336,211	336,211	546,704
<i>Restricted assets:</i>							
Investments	87,800,094	-	-	-	-	87,800,094	-
Total current assets	195,590,010	1,491,508,454	112,603,684	289,873,881	77,886,553	2,167,462,582	202,578,694
Noncurrent assets:							
Investments	168,029,767	-	-	-	-	168,029,767	-
<i>Receivables:</i>							
Contracts receivable	-	-	-	31,537,836	-	31,537,836	-
Mortgages receivable	318,947,547	-	-	-	-	318,947,547	-
Notes/loans receivable	22,159,358	-	376,113,392	-	-	398,272,750	65,000
<i>Restricted assets:</i>							
Investments	91,631,757	-	-	-	-	91,631,757	-
Other assets	-	-	-	-	15,000	15,000	3,761
<i>Capital assets:</i>							
Land	-	-	-	-	567,812	567,812	1,032,737
Buildings	-	-	-	-	1,406,840	1,406,840	20,392,485
Improvements other than buildings	-	-	-	-	5,638,507	5,638,507	3,839,621
Furniture and equipment	798,555	-	11,820	173,374	15,809,685	16,793,434	63,358,379
Software costs	-	-	-	-	-	-	16,134,510
Construction in progress	-	-	-	-	-	-	8,262,730
Less accumulated depreciation/amortization	(620,302)	-	(11,820)	(116,668)	(9,435,061)	(10,183,851)	(79,520,897)
Total noncurrent assets	600,946,682	-	376,113,392	31,594,542	14,002,783	1,022,657,399	33,568,326
Total assets	796,536,692	1,491,508,454	488,717,076	321,468,423	91,889,336	3,190,119,981	236,147,020
Deferred Outflows of Resources							
Deferred charge on refunding	-	-	431,986	-	227,471	659,457	-
Pension contributions	441,049	-	100,650	55,017	6,481,051	7,077,767	9,338,996
OPEB contributions	22,642	-	6,673	3,625	431,183	464,123	633,389
Total deferred outflows of resources	463,691	-	539,309	58,642	7,139,705	8,201,347	9,972,385

(continued)

	Enterprise Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Liabilities							
Current liabilities:							
<i>Accounts payable and accruals:</i>							
Accounts payable	\$ 49,222,359	\$ 5,654,054	\$ 76,871	\$ 111,106	\$ 1,552,823	\$ 56,617,213	\$ 5,681,235
Accrued payroll and related liabilities	43,781	-	14,958	7,066	911,451	977,256	1,357,640
Interest payable	2,463,178	-	858,550	-	65,766	3,387,494	-
Intergovernmental payables	-	-	836	-	71,426	72,262	65,774
Bank overdraft	-	-	-	-	-	-	2,419,159
Due to other funds	72,673	237,266	250,237	43,250	1,632,828	2,236,254	1,170,561
Due to fiduciary funds	-	-	-	-	54,639	54,639	16,308
Due to component units	-	-	-	968	-	968	6,972
Unearned revenues	-	-	-	-	9,335,725	9,335,725	48,946
Other liabilities	-	-	-	-	11,450	11,450	-
<i>Short-term portion of long-term liabilities:</i>							
Reserve for losses	-	-	-	-	-	-	88,951,585
Compensated absences	63,047	-	27,721	11,371	1,233,804	1,335,943	2,228,081
Benefits payable	-	-	-	17,509,034	-	17,509,034	-
Bonds payable	29,384,973	-	11,847,963	-	339,114	41,572,050	513,323
Obligations under capital leases	-	-	-	-	-	-	1,040,057
Total current liabilities	81,250,011	5,891,320	13,077,136	17,682,795	15,209,026	133,110,288	103,499,641
Noncurrent liabilities:							
Advances from other funds	-	-	-	-	165,360	165,360	7,879,765
Reserve for losses	-	-	-	-	-	-	43,922,343
Net pension obligation	3,071,137	-	616,175	334,217	39,039,448	43,060,977	54,698,197
Net OPEB liability	762,107	-	224,638	122,013	14,514,107	15,622,865	21,320,253
Compensated absences	28,237	-	11,401	6,423	498,904	544,965	1,150,269
Benefits payable	-	-	-	200,282,612	-	200,282,612	-
Bonds payable	496,498,035	-	42,492,049	-	7,762,899	546,752,983	3,196,280
Obligations under capital leases	-	-	-	-	-	-	2,469,228
Total noncurrent liabilities	500,359,516	-	43,344,263	200,745,265	61,980,718	806,429,762	134,636,335
Total liabilities	581,609,527	5,891,320	56,421,399	218,428,060	77,189,744	939,540,050	238,135,976
Deferred Inflows of Resources							
Pension related amounts	233,522	-	46,852	25,413	2,968,473	3,274,260	4,206,456
OPEB related amounts	47,434	-	13,981	7,594	903,374	972,383	1,326,993
Total deferred inflows of resources	280,956	-	60,833	33,007	3,871,847	4,246,643	5,533,449
Net Position							
Net investment in capital assets	178,253	-	-	56,706	5,885,770	6,120,729	26,345,029
<i>Restricted for:</i>							
Unemployment compensation	-	1,485,617,134	-	-	-	1,485,617,134	-
Tuition contract benefits	-	-	-	103,009,292	-	103,009,292	-
Security of outstanding obligations	187,905,109	-	-	-	-	187,905,109	-
Workers' compensation	-	-	-	-	17,476,083	17,476,083	-
Revolving loans	-	-	432,774,153	-	-	432,774,153	-
Regulation of business	-	-	-	-	2,000	2,000	-
Unrestricted (deficit)	27,026,538	-	-	-	(5,396,403)	21,630,135	(23,895,049)
Total net position	\$ 215,109,900	\$ 1,485,617,134	\$ 432,774,153	\$ 103,065,998	\$ 17,967,450	\$ 2,254,534,635	\$ 2,449,980
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.						140,970	
Net position of business-type activities						<u>\$ 2,254,675,605</u>	

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



Dreamer and Running Sage

Statement of Revenues, Expenditures and Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds						Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Nonmajor Enterprise Funds	Total Enterprise Funds	
Operating Revenues							
Net premium income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 386,403,711
Sales	-	-	-	13,829,852	6,688,768	20,518,620	2,465,414
Assessments	-	652,693,029	-	-	457,069	653,150,098	-
Charges for services	-	-	304,990	104,300	13,863,843	14,273,133	55,771,101
Rental income	-	-	-	-	141,200	141,200	19,337,068
Interest income on loans/notes	13,287,689	-	9,276,049	-	-	22,563,738	-
Federal government	-	3,923,082	15,395,912	-	-	19,318,994	-
Licenses, fees and permits	-	-	-	-	49,844,497	49,844,497	-
Fines	-	-	-	-	3,700,431	3,700,431	-
Other	8,964,132	3,441,530	-	-	583,458	12,989,120	1,425,730
Total operating revenues	22,251,821	660,057,641	24,976,951	13,934,152	75,279,266	796,499,831	465,403,024
Operating Expenses							
Salaries and benefits	1,486,305	-	204,451	388,880	38,293,553	40,373,189	37,297,961
Operating	1,277,030	-	5,172,244	643,043	13,198,335	20,290,652	42,536,488
Claims and benefits expense	-	297,280,201	-	10,243,682	5,801,858	313,325,741	239,519,988
Interest on bonds payable	15,619,163	-	1,439,311	-	-	17,058,474	-
Materials or supplies used	-	-	-	-	2,776,330	2,776,330	604,831
Servicers' fees	19,539	-	-	-	-	19,539	-
Depreciation	36,255	-	-	16,698	764,550	817,503	5,442,271
Bond issuance costs	650,750	-	201,892	-	-	852,642	-
Insurance premiums	-	-	-	-	-	-	131,438,220
Total operating expenses	19,089,042	297,280,201	7,017,898	11,292,303	60,834,626	395,514,070	456,839,759
Operating Income	3,162,779	362,777,440	17,959,053	2,641,849	14,444,640	400,985,761	8,563,265
Nonoperating Revenues (Expenses)							
Interest and investment income	4,990,028	24,800,574	1,315,310	21,987,460	466,289	53,559,661	596,822
Interest expense	-	-	-	-	(310,214)	(310,214)	(62,735)
Bond issuance costs	-	-	-	-	(59,568)	(59,568)	-
Federal grant revenue	5,499,786	-	-	-	4,278,791	9,778,577	-
Federal grant expense	(4,273,874)	-	-	-	-	(4,273,874)	-
Gain (loss) on disposal of assets	-	-	-	-	7,782	7,782	127,467
Arbitrage rebate	-	(251,258)	-	-	-	(251,258)	-
Total nonoperating revenues (expenses)	6,215,940	24,549,316	1,315,310	21,987,460	4,383,080	58,451,106	661,554
Income before transfers	9,378,719	387,326,756	19,274,363	24,629,309	18,827,720	459,436,867	9,224,819
Transfers							
Transfers in	-	155,428,322	374	683,784	95,358	156,207,838	1,863,598
Transfers out	-	(4,188,917)	(1,984,897)	-	(13,029,324)	(19,203,138)	(666,610)
Change in net position	9,378,719	538,566,161	17,289,840	25,313,093	5,893,754	596,441,567	10,421,807
Net position, July 1	206,484,749	998,017,349	415,709,400	77,752,905	26,636,740	-	13,440,161
Net position restatement	(753,568)	(50,966,376)	(225,087)	-	(14,563,044)	-	(21,411,988)
Net position, July 1 (as restated)	205,731,181	947,050,973	415,484,313	77,752,905	12,073,696	-	(7,971,827)
Net position, June 30	\$ 215,109,900	\$ 1,485,617,134	\$ 432,774,153	\$ 103,065,998	\$ 17,967,450	\$ -	\$ 2,449,980

Adjustment for the net effect of the current year activity
between the internal service funds and the enterprise funds.
Change in net position of business-type activities

81,730
\$ 596,523,297

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

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

	Enterprise Funds						Internal Service Funds
	Major Funds						
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds	Totals	
Cash flows from operating activities							
Receipts from customers and users	\$ -	\$ 644,917,879	\$ 304,990	\$ 16,359,728	\$ 69,220,972	\$ 730,803,569	\$ 54,981,869
Receipts for interfund services provided	386,128	1,378,182	-	1,434	3,414,140	5,179,884	395,831,342
Receipts from component units	-	-	-	-	-	-	16,396,737
Receipts of principal on loans/notes	108,705,956	-	-	-	-	108,705,956	5,000
Receipts of interest on loans/notes	18,610,338	-	-	-	-	18,610,338	-
Receipts from Federal government	-	3,923,082	15,700,451	-	-	19,623,533	-
Payments to suppliers, other governments and beneficiaries	(8,308,596)	(297,562,679)	(5,021,168)	(6,659,620)	(15,320,275)	(332,872,338)	(396,994,351)
Payments to employees	(1,278,090)	-	(415,317)	(207,895)	(36,995,983)	(38,897,285)	(39,434,736)
Payments for interfund services	(701,670)	-	(127,441)	(180,879)	(6,204,036)	(7,214,026)	(20,069,467)
Payments to component units	-	-	-	(7,316,545)	(23,353)	(7,339,898)	(264,598)
Purchase of loans and notes	(49,288,436)	-	-	-	-	(49,288,436)	-
Net cash provided by (used for) operating activities	68,125,630	352,656,464	10,441,515	1,996,223	14,091,465	447,311,297	10,451,796
Cash flows from noncapital financing activities							
Grant receipts	5,499,786	-	-	-	5,276,018	10,775,804	-
Proceeds from sale of bonds	136,594,623	-	10,820,493	-	-	147,415,116	-
Transfers and advances from other funds	-	155,944,059	274	683,784	95,957	156,724,074	1,374,160
Principal paid on noncapital debt	(125,127,294)	(128,045,000)	(9,380,000)	-	-	(262,552,294)	-
Interest paid on noncapital debt	(15,345,799)	(3,549,941)	(1,938,877)	-	-	(20,834,617)	-
Transfers and advances to other funds	-	(4,142,844)	(1,979,726)	10,165	(13,126,193)	(19,238,598)	(666,610)
Payments to other governments and organizations	(3,047,962)	(1,326,547)	-	-	-	(4,374,509)	-
Bond issuance costs	-	-	(201,892)	-	-	(201,892)	-
Net cash provided by (used for) noncapital financing activities	(1,426,646)	18,879,727	(2,679,728)	693,949	(7,754,218)	7,713,084	707,550
Cash flows from capital and related financing activities							
Proceeds from capital debt	-	-	-	-	3,001,854	3,001,854	-
Proceeds from sale of capital assets	-	-	-	-	7,782	7,782	220,410
Purchase of capital assets	-	-	-	-	(327,983)	(327,983)	(3,882,770)
Principal paid on capital debt	-	-	-	-	(243,000)	(243,000)	(1,839,409)
Interest paid on capital debt	-	-	-	-	(348,139)	(348,139)	(62,735)
Payments on construction projects	-	-	-	-	(50,516)	(50,516)	-
Payments on refunding bonds	-	-	-	-	(2,885,000)	(2,885,000)	-
Bond issuance costs	-	-	-	-	(59,568)	(59,568)	-
Net cash provided by (used for) capital and related financing activities	-	-	-	-	(904,570)	(904,570)	(5,564,504)
Cash flows from investing activities							
Proceeds from sale of investments	366,742,604	-	-	-	-	366,742,604	-
Receipts of principal on loans/notes	-	-	28,193,350	-	-	28,193,350	-
Purchase of investments	(429,209,472)	-	-	(23,774,613)	-	(452,984,085)	-
Purchase of loans and notes	-	-	(64,890,515)	-	-	(64,890,515)	-
Interest, dividends and gains (losses)	5,337,233	29,532,319	9,987,259	21,897,557	297,916	67,052,284	274,125
Net cash provided by (used for) investing activities	(57,129,635)	29,532,319	(26,709,906)	(1,877,056)	297,916	(55,886,362)	274,125
Net increase (decreases) in cash	9,569,349	401,068,510	(18,948,119)	813,116	5,730,593	398,233,449	5,868,967
Cash and cash equivalents, July 1	1,020,171	887,012,583	93,424,738	4,719,718	63,026,833	1,049,204,043	170,473,332
Cash and cash equivalents, June 30	\$ 10,589,520	\$ 1,288,081,093	\$ 74,476,619	\$ 5,532,834	\$ 68,757,426	\$ 1,447,437,492	\$ 176,342,299

(continued)

	Enterprise Funds							
	Major Funds						Totals	Internal Service Funds
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Other Enterprise Funds			
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities								
Operating income (loss)	\$ 3,162,779	\$ 362,777,440	\$ 17,959,053	\$ 2,641,849	\$ 14,444,640	\$ 400,985,761	\$ 8,563,265	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities								
Depreciation	36,255	-	-	16,698	764,550	817,503	5,442,271	
Interest on loans	-	-	(9,276,049)	-	-	(9,276,049)	-	
Interest on bonds payable	15,619,163	-	1,439,311	-	-	17,058,474	-	
Debt issuance costs	-	-	201,892	-	-	201,892	-	
Decrease (increase) in loans and notes receivable	66,813,294	-	-	-	-	66,813,294	5,000	
Decrease (increase) in accrued interest and receivables	(19,575,367)	(9,838,498)	304,539	2,427,010	(1,934,241)	(28,616,557)	861,320	
Decrease (increase) in inventory, deferred charges, other assets	-	-	-	-	(19,650)	(19,650)	(429,198)	
Decrease (increase) in deferred outflow of resources	27,406	-	17,255	(11,565)	(412,889)	(379,793)	(459,357)	
Increase (decrease) in accounts payable, accruals, other liabilities	1,861,291	(282,478)	25,518	(3,274,534)	460,903	(1,209,300)	(1,970,185)	
Increase (decrease) in unearned revenues	-	-	-	-	(709,913)	(709,913)	(38,724)	
Increase (decrease) in net pension liability	308,782	-	(216,753)	63,483	1,135,214	1,290,726	(1,739,713)	
Increase (decrease) in net OPEB liability	(24,440)	-	(7,204)	122,013	(465,459)	(375,090)	(683,728)	
Increase (decrease) in deferred inflows of resources	(103,533)	-	(6,047)	11,269	828,310	729,999	900,845	
Total adjustments	64,962,851	(10,120,976)	(7,517,538)	(645,626)	(353,175)	46,325,536	1,888,531	
Net cash provided by (used for) operating activities	\$ 68,125,630	\$ 352,656,464	\$ 10,441,515	\$ 1,996,223	\$ 14,091,465	\$ 447,311,297	\$ 10,451,796	
Noncash investing, capital and financing activities								
Gain (loss) on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ (7,782)	\$ (7,782)	\$ 6,174	
Capital assets leased	-	-	-	-	-	-	4,300,176	

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

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Private purpose trust funds	Agency Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 2,304,641	\$ -	\$ 8,841,958	\$ 127,085,200
Cash in custody of other officials	211,654,048	2,892,549	19,961,164	52,396,908
<i>Investments:</i>				
Investments	1,602,029	1,688,836,893	23,702,031,429	244,017,393
Fixed income securities	11,952,924,311	-	-	-
Marketable equity securities	17,381,484,784	-	-	-
International securities	7,930,065,599	-	-	-
Real estate	1,808,733,104	-	-	-
Alternative investments	1,963,430,139	-	-	-
Collateral on loaned securities	293,807,533	-	-	-
<i>Receivables:</i>				
Taxes receivable	-	-	-	77,975,808
Intergovernmental receivables	131,351,401	-	91,181	40,620
Accrued interest and dividends	143,615,647	7,478,383	1,305,368	-
Other receivables	5,863	-	-	87,846
Contributions receivables	-	-	18,013,242	-
Trades pending settlement	264,926,803	-	1,182,386	-
Due from other funds	162,397	-	161,112	627,615,917
Due from fiduciary funds	35,527,821	-	-	16,245,249
Due from component units	1,286,771	-	-	-
Other assets	3,396,862	-	-	-
Furniture and equipment	44,964,024	-	48,222	-
Less accumulated depreciation/amortization	(40,441,532)	-	(48,222)	-
Total assets	42,130,802,245	1,699,207,825	23,751,587,840	1,145,464,941
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	16,204,618	71,085	3,764,910	-
Accrued payroll and related liabilities	-	-	-	29,583
Intergovernmental payables	-	75,370	23,191	725,620,653
Redemptions payable	-	-	6,213,649	-
Trades pending settlement	254,582,783	2,848,233	10,857,246	-
Bank overdraft	-	-	873,000	-
Obligations under securities lending	293,807,533	-	-	-
Due to other funds	3,780,217	6,991	1,318,734	-
Due to fiduciary funds	61,115	-	83,913	51,628,042
<i>Other liabilities:</i>				
Deposits	-	-	-	361,932,206
Other liabilities	-	22,373	-	6,254,457
Total liabilities	568,436,266	3,024,052	23,134,643	1,145,464,941
Net Position				
<i>Restricted for:</i>				
Pension benefits	41,560,768,652	-	-	-
OPEB benefits	1,597,327	-	-	-
Pool participants	-	1,696,183,773	-	-
Individuals	-	-	23,728,453,197	-
Total net position	\$ 41,562,365,979	\$ 1,696,183,773	\$ 23,728,453,197	\$ -

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, 2018

	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Private purpose trust funds
Additions			
<i>Contributions:</i>			
Employer	\$ 975,865,481	\$ -	\$ -
Plan members	930,323,606	-	-
Participants	-	-	8,804,104,665
Repayment and purchase of service	73,639,232	-	-
Total contributions	1,979,828,319	-	8,804,104,665
<i>Investment income:</i>			
Net increase (decrease) in fair value of investments	2,367,561,879	23,165,727	995,021,860
Interest, dividends	843,625,938	12,692,476	553,431,529
Securities lending	6,232,609	-	-
Other	117,458,561	-	-
	3,334,878,987	35,858,203	1,548,453,389
Less investment expense:			
Other	(50,757,942)	(63,841)	-
Net investment income	3,284,121,045	35,794,362	1,548,453,389
<i>Other:</i>			
Investment from local governments	-	1,908,623,502	-
Reinvestment from interest income	-	14,655,590	-
Other	2,381,124	164	-
Total other	2,381,124	1,923,279,256	-
Total additions	5,266,330,488	1,959,073,618	10,352,558,054
Deductions			
Principal redeemed	-	1,617,575,993	7,144,644,598
Benefit payments	2,465,840,859	-	25,726,424
Refunds	31,366,228	-	-
Contribution distributions	515,342	8,466,166	-
Dividends to investors	-	658,375	-
Administrative expense	13,115,201	400,069	36,115,244
Total deductions	2,510,837,630	1,627,100,603	7,206,486,266
Change in net position	2,755,492,858	331,973,015	3,146,071,788
Net position, July 1	38,806,873,121	1,364,210,758	20,582,381,409
Net position, June 30	\$ 41,562,365,979	\$ 1,696,183,773	\$ 23,728,453,197

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

Combining Statement of Net Position Discretely Presented Component Units

June 30, 2018

	Major Component Units		Nonmajor Component Unit	
	Colorado River Commission	Nevada System of Higher Education	Nevada Capital Investment Corporation	Total
Assets				
Cash and pooled investments	\$ 17,510,990	\$ 274,249,000	\$ -	\$ 291,759,990
Investments	-	1,382,973,000	40,820,079	1,423,793,079
Due from primary government	159,487	147,853,428	-	148,012,915
Accounts receivable	611,130	25,262,572	-	25,873,702
Intergovernmental receivables	-	77,646,000	-	77,646,000
Accrued interest and dividends	63,759	-	13,000	76,759
Notes/loans receivable	-	8,968,000	-	8,968,000
Other receivables	-	90,959,000	-	90,959,000
Inventory	-	7,791,000	-	7,791,000
Prepaid expenses	27,411,659	-	-	27,411,659
<i>Restricted assets:</i>				
Cash	5,438,164	158,650,000	-	164,088,164
Investments	-	12,275,000	-	12,275,000
Other assets	-	99,927,000	-	99,927,000
<i>Capital assets:</i>				
Land, infrastructure and construction in progress	-	291,881,000	-	291,881,000
Other capital assets, net	49,079,355	1,973,802,000	-	2,022,881,355
Total assets	100,274,544	4,552,237,000	40,833,079	4,693,344,623
Deferred Outflows of Resources				
Deferred charge on refunding	-	14,411,000	-	14,411,000
Pension contributions	985,074	64,715,000	-	65,700,074
OPEB contributions	67,183	15,701,000	-	15,768,183
Total deferred outflows of resources	1,052,257	94,827,000	-	95,879,257
Liabilities				
Accounts payable	2,283,374	53,042,596	-	55,325,970
Accrued payroll and related liabilities	142,860	89,596,000	-	89,738,860
Interest payable	266,911	14,349,000	-	14,615,911
Due to primary government	5,321	1,246,404	39,388,102	40,639,827
Unearned revenues	3,203,489	63,286,000	-	66,489,489
Other liabilities	5,439,095	61,942,000	-	67,381,095
<i>Long-term liabilities:</i>				
<i>Portion due or payable within one year:</i>				
Obligations under capital leases	-	1,561,000	-	1,561,000
Compensated absences	241,695	35,068,000	-	35,309,695
Bonds payable	730,000	44,429,000	-	45,159,000
<i>Portion due or payable after one year:</i>				
Federal advances	-	7,236,000	-	7,236,000
Obligations under capital leases	-	49,328,000	-	49,328,000
Net pension obligation	5,867,314	383,226,000	-	389,093,314
Net OPEB liability	2,261,443	489,199,000	-	491,460,443
Compensated absences	166,670	15,805,000	-	15,971,670
Bonds payable	27,330,128	733,696,000	-	761,026,128
Unearned revenue	46,128,055	-	-	46,128,055
Total liabilities	94,066,355	2,043,010,000	39,388,102	2,176,464,457
Deferred Inflows of Resources				
Lease revenue	-	6,722,000	-	6,722,000
Split-interest agreements	-	5,319,000	-	5,319,000
Pension related amounts	446,138	29,202,000	-	29,648,138
OPEB related amounts	140,754	30,448,000	-	30,588,754
Total deferred inflows of resources	586,892	71,691,000	-	72,277,892
Net Position				
Net investment in capital assets	49,079,355	1,589,802,000	-	1,638,881,355
<i>Restricted for:</i>				
Capital projects	-	175,377,000	-	175,377,000
Debt service	-	35,317,000	-	35,317,000
Scholarships	-	543,790,000	-	543,790,000
Loans	-	6,991,000	-	6,991,000
Education - K to 12	-	-	1,444,977	1,444,977
Research and development	10,731,129	-	-	10,731,129
Other purposes	-	8,298,000	-	8,298,000
<i>Funds held as permanent investments:</i>				
Nonexpendable	-	402,277,000	-	402,277,000
Unrestricted (deficit)	(53,136,930)	(229,489,000)	-	(282,625,930)
Total net position	\$ 6,673,554	\$ 2,532,363,000	\$ 1,444,977	\$ 2,540,481,531

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, 2018

	<u>Major Component Units</u>		<u>Nonmajor Component Unit</u>	
	<u>Colorado River Commission</u>	<u>Nevada System of Higher Education</u>	<u>Nevada Capital Investment Corporation</u>	<u>Total</u>
Expenses	\$ 45,234,793	\$ 1,911,088,000	\$ 1,327,994	\$ 1,957,650,787
<i>Program revenue:</i>				
Charges for services	45,835,001	722,086,000	-	767,921,001
Operating grants and contributions	-	511,810,000	-	511,810,000
Capital grants and contributions	-	1,837,000	-	1,837,000
Total program revenue	45,835,001	1,235,733,000	-	1,281,568,001
<i>General revenues:</i>				
Unrestricted investment earnings	463,139	94,221,000	3,416,132	98,100,271
Gain on sale of assets	-	537,000	-	537,000
Other general revenues	58,577	-	-	58,577
Contributions to permanent funds	-	9,982,000	-	9,982,000
Payments from State of Nevada	-	705,961,000	-	705,961,000
Total general revenues, contributions and payments	521,716	810,701,000	3,416,132	814,638,848
Change in net position	1,121,924	135,346,000	2,088,138	138,556,062
Net position, July 1	7,822,113	2,896,771,000	(643,161)	2,903,949,952
Net position restatement	(2,270,483)	(499,754,000)	-	(502,024,483)
Net position, July 1 (as restated)	5,551,630	2,397,017,000	(643,161)	2,401,925,469
Net position, June 30	\$ 6,673,554	\$ 2,532,363,000	\$ 1,444,977	\$ 2,540,481,531

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



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Notes to the Financial Statements

For the Year Ended June 30, 2018

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Notes to the Financial Statements

For the Year Ended June 30, 2018

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 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,

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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.

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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 \$500,000 or more for buildings and improvements or \$1,000,000 or more for internally generated software, 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 11 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 9.

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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. Additionally, commencing with the fiscal year that begins on July 1, 2017, 1% of the total anticipated revenue for the fiscal year in which the transfer will be made as projected by the Economic Forum for that fiscal year, will also be deposited to the Stabilization Account. 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, 2018 is \$235,744,635.

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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.

Postemployment Benefits Other than Pensions (OPEB) – For purposes of measuring the State’s net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State’s OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, 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. Plan assets 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.

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 \$35,330,474 were made in the 2018 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. NRS 356 directs 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. Cash and cash equivalents of the primary government, private purpose trust, pension and other employee benefit trust, and investment trust funds consists of deposits in money market funds, which are not federally insured, and cash in the bank. As of June 30, 2018, deposits in money market funds totaled \$167,367,975, and cash in bank was \$42,268,243 of which \$10,701,121 was uncollateralized and uninsured.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018 NSHE's deposits in money market funds totaled \$212,471,000 and cash in bank was \$4,512,000. 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, 2018 (expressed in thousands):

Notes to the Financial Statements

For the Year Ended June 30, 2018

	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 1,084,191	\$ 412,016	\$ 461,479	\$ 170,880	\$ 39,816
Negotiable certificate of deposit	640,189	615,153	25,036	-	-
U.S. agencies	12,911,854	718,134	7,798,942	2,283,134	2,111,644
Mutual funds	6,089	6,089	-	-	-
Repurchase agreements	193,000	193,000	-	-	-
Asset backed corporate securities	60,845	672	53,763	447	5,963
Corporate bonds and notes	577,437	184,369	374,705	10,484	7,879
Commercial paper	657,379	657,379	-	-	-
Fixed income securities	71	71	-	-	-
Investment agreements	93,392	-	93,380	-	12
Other short-term investments	428,173	428,173	-	-	-
Collateralized mortgage obligations	29,955	-	-	-	29,955
Other investments	(6,768)	997	8,179	-	(15,944)
Total	\$ 16,675,807	\$ 3,216,053	\$ 8,815,484	\$ 2,464,945	\$ 2,179,325

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 31 days to 13.3 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, 2018 (expressed in thousands):

Less than 1 year	\$ 219,270
1 to 5 years	155,624
6 to 10 years	121,602
Total	\$ 496,496

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:

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018 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):

	Quality Rating						Unrated
	AAA	AA	A	BBB	BB	B	
Negotiable certificate of deposit	\$ -	\$ 3,262	\$ 66,706	\$ -	\$ -	\$ -	\$ 575,187
U.S. agencies	21,358	848,994	-	-	-	-	12,062,416
Mutual funds	1,896	-	-	-	-	-	23,239,694
Repurchase agreements	-	-	-	-	-	-	193,000
Asset backed corporate securities	15,938	31,867	739	889	1,098	163	19,330
Corporate bonds and notes	9,608	146,665	360,060	40,553	2,309	-	71,811
Commercial paper	-	-	443,463	-	-	-	213,917
Fixed income	-	-	-	-	-	-	71
Investment agreements	-	93,380	-	12	-	-	93,392
Other short-term investments	128,359	97	136,316	-	-	-	837,059
Collateralized mortgage obligations	18,752	11,203	-	-	-	-	29,955
Other Investments	-	4,412	4,763	-	-	-	664,876
Total	\$ 195,911	\$ 1,139,880	\$ 1,012,047	\$ 41,454	\$ 3,407	\$ 163	\$ 38,000,708

Component Units – 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, 2018 is as follows (at fair value, expressed in thousands):

	Unrated
Mutual funds publicly traded	\$ 491,187
Partnerships	51,534
Endowment cash/cash equivalents	976
Trust(s)	4,313
Private commingled funds	295,414
	<u>843,424</u>
Less: GBC Foundation Endowments	(6,958)
Total	\$ 836,466

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, 2018, no individual investment exceeded 5% of the total portfolio of the Primary Government.

At June 30, 2018, 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	\$ 41,987	15.29%

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, 2018, the Housing Division's investments in Fannie Mae and Ginnie Mae are 2.55% and 20.80% respectively, of the Housing Division's total

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For the Year Ended June 30, 2018

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, 2018 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, 2018. The following table summarizes the pension and investment trust funds' exposure to foreign currency risk in U.S. dollars as of June 30, 2018 (expressed in thousands):

	Currency by Investment and Fair Value				
	Equity	Private Equity	Pending Transactions	Cash	Total
Australian Dollar	\$ 513,452	\$ -	\$ -	\$ 101	\$ 513,553
British Pound Sterling	1,325,394	-	200	711	1,326,305
Danish Krone	122,376	-	-	2	122,378
Euro	2,374,528	218,200	(300)	(160)	2,592,268
Hong Kong Dollar	246,017	-	-	418	246,435
Israeli Shekel	23,658	-	-	101	23,759
Japanese Yen	1,780,498	-	-	4,209	1,784,707
New Zealand Dollar	15,675	-	-	101	15,776
Norwegian Krone	54,586	-	-	1	54,587
Singapore Dollar	94,338	-	-	105	94,443
Swedish Krona	190,098	-	-	2	190,100
Swiss Franc	573,421	-	-	1	573,422
Total	<u>\$ 7,314,041</u>	<u>\$ 218,200</u>	<u>\$ (100)</u>	<u>\$ 5,592</u>	<u>\$ 7,537,733</u>

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 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, 2018 (expressed in thousands):

	Currency at Fair Value
Australian Dollar	\$ 1
Euro	(15)
Japanese Yen	(58)
New Taiwan Dollar	15
Swedish Krona	1
Swiss Franc	2
Total	<u>\$ (54)</u>

Notes to the Financial Statements

For the Year Ended June 30, 2018

Component Unit - The NSHE does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, it has \$176,330,000 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2018.

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 valued using quoted prices for identical securities in markets that are not active; Level 3 inputs are significant unobservable inputs. The following table summarizes the fair value measurements of the primary government as of June 30, 2018 (expressed in thousands):

Investments by fair value level	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities				
U.S. Treasury securities	\$ 651,187	\$ 650,885	\$ 302	\$ -
Negotiable certificates of deposit	435,081	-	435,081	-
U.S. agencies	686,826	31,694	655,132	-
Mutual funds	204,704	204,704	-	-
Asset backed corporate securities	31,689	-	31,689	-
Corporate bonds & notes	360,723	20,188	340,535	-
Commercial paper	487,842	-	487,842	-
Repurchase agreements	93,000	-	93,000	-
Other short-term investments	25,054	25,054	-	-
Collateralized mortgage obligations	141,496	96,633	44,863	-
Federal National Mortgage Association	8,712	5,901	2,811	-
Other investments	140,326	132,910	7,416	-
Total investments by fair value level	\$ 3,266,640	\$ 1,167,969	\$ 2,098,671	\$ -

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, 2018 (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, U.S. 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

The fair value of underlying securities on loan at June 30, 2018 is \$4,750,382,722. Collateral received for outstanding securities lending arrangements consisted of cash in the amount of \$293,807,533 and non-cash in the amount of \$4,576,201,763. The cash collateral is reported on the Statement of Fiduciary Net Position as an asset with a related liability. At June 30, 2018, 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, 2018.

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, 2018, 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	\$ 3,052	\$ 1	\$ (16)
Forward Currency Contracts, net	\$ 60,276	(48)	(39)
CC Interest Rate Swap Contracts, gross	\$ 6,778	(10)	(7)
OTC Total Return Swap Contracts, gross	\$ 17,666	(325)	(105)
OTC Credit Default Contracts, gross	\$ 6,244	116	133
CC Credit Default Contracts, gross	\$ 12,771	15	(51)
Futures Contracts, gross	-	(259)	(321)
Written Currency Option Contracts, gross	\$ -	-	6
Total		<u>\$ (510)</u>	<u>\$ (400)</u>

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 and/or centrally cleared 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 and/or centrally cleared 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 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 for OTC total return swap contracts by having a master netting arrangement between the Portfolios and the counterparty and for centrally cleared total return swap contracts through the daily exchange of variation margin. There is minimal counterparty risk with respect to centrally cleared total return 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 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, 2018, OTC derivative counterparties had ratings that were either greater than or equivalent to long-term ratings of A3 and short-term ratings of P-2. Centrally cleared contracts are not considered brokered contracts and have mitigated risks. With

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018 (expressed in thousands):

	Maturities in Years				Total
	Less than 1	1-5	6-10	Greater than 10	
Purchased Currency Options	\$ 1	\$ -	\$ -	\$ -	\$ 1
Forward Currency Contracts	(48)	-	-	-	(48)
CC Interest Rate Swap Contracts	-	(4)	-	(6)	(10)
OTC Total Return Swap Contracts	(325)	-	-	-	(325)
OTC Credit Default Contracts	-	-	-	116	116
CC Credit Default Contracts	-	15	-	-	15
Futures Contracts	(259)	-	-	-	(259)
Total	\$ (631)	\$ 11	\$ -	\$ 110	\$ (510)

Forward currency contracts are subject to foreign currency risk. The following table provides information about the forward currency contracts as of June 30, 2018 (expressed in thousands):

	Fair Value
Australian Dollar	\$ (267)
Brazilian Real	(3)
British Pound	(20)
Canadian Dollar	4
Chinese Yuan	(11)
Danish Krone	(1)
Euro	(5)
Japanese Yen	5
New Taiwan Dollar	3
New Zealand Dollar	140
Norwegian Krone	8
Russian Ruble	(1)
Singapore Dollar	(3)
South African Rand	(5)
Swedish Krona	111
Swiss Franc	(3)
Total	\$ (48)

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			Total
	General Fund	Municipal Bond Bank	Permanent School Fund	
As shown on financial statements:				
Intergovernmental receivables	\$ 531,340	\$ -	\$ 1,199	\$ 532,539
Notes/loans receivable	15,147	91,510	-	106,657
Due from component units	112	-	39,388	39,500
Total	\$ 546,599	\$ 91,510	\$ 40,587	\$ 678,696

Notes to the Financial Statements

For the Year Ended June 30, 2018

	Major Governmental Funds			Total
	General Fund	Municipal Bond Bank	Permanent School Fund	
Classified:				
Current portion:	\$ 480,750	\$ 3,425	\$ 1,199	\$ 485,374
Noncurrent portion:				
Intergovernmental receivables	51,343	-	-	51,343
Notes/loans receivable	14,506	88,085	-	102,591
Due from component units	-	-	39,388	39,388
Total noncurrent portion	<u>65,849</u>	<u>88,085</u>	<u>39,388</u>	<u>193,322</u>
Total	<u>\$ 546,599</u>	<u>\$ 91,510</u>	<u>\$ 40,587</u>	<u>\$ 678,696</u>

Not included in the receivable balances are amounts considered to be uncollectible. In the governmental funds, uncollectible taxes receivable are estimated at \$22.4 million, and uncollectible accounts receivable are estimated at \$158.4 million. The proprietary funds have \$43.2 million in uncollectible accounts receivable of which \$7.8 million are from uninsured employers' fines and penalties, and \$13.0 million are from unemployment contributions and benefit overpayments.

Note 5. Interfund Transactions

A. Interfund Advances

A summary of interfund advances at June 30, 2018, follows (expressed in thousands):

	Advances From			Total
	General Fund	State Highway	Nonmajor Governmental	
Advances To				
Nonmajor enterprise	\$ 165	\$ -	\$ -	\$ 165
Internal Service Funds	3,894	3,685	301	7,880
Total other funds	<u>\$ 4,059</u>	<u>\$ 3,685</u>	<u>\$ 301</u>	<u>\$ 8,045</u>

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 following.

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018, is shown below (expressed in thousands):

	Due To					
	Major Governmental Funds					Total Governmental
	General Fund	State Highway	Municipal Bond Bank	Permanent School Fund	Nonmajor Governmental	
Due From						
Major Governmental Funds:						
General	\$ -	\$ 6,190	\$ 1	\$ 118	\$ 12,899	\$ 19,208
State Highway	2,013	-	-	-	241	2,254
Municipal Bond Bank	4	-	-	-	-	4
Permanent School Fund	17,058	-	-	-	-	17,058
Nonmajor governmental	14,154	3,627	-	-	21,858	39,639
Total Governmental	33,229	9,817	1	118	34,998	78,163
Major Enterprise Funds:						
Housing Division	70	-	-	-	-	70
Unemployment Comp	-	-	-	-	237	237
Water Projects Loans	250	-	-	-	-	250
Higher Ed Tuition Trust	42	-	-	-	-	42
Nonmajor enterprise	1,527	4	-	-	-	1,531
Total Enterprise	1,889	4	-	-	237	2,130
Internal Service	477	290	-	-	155	922
Total other funds	\$ 35,595	\$ 10,111	\$ 1	\$ 118	\$ 35,390	\$ 81,215
Fiduciary	\$ 68	\$ -	\$ -	\$ -	\$ 1,253	\$ 1,321
Component Units:						
Colorado River Commission	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Nevada System of Higher Education	112	-	-	-	188	300
Nevada Capital Investment Corporation	-	-	-	39,388	-	39,388
Total Component Units	\$ 113	\$ -	\$ -	\$ 39,388	\$ 188	\$ 39,689

	Due To								
	Major Enterprise Funds					Total Enterprise	Internal Service	Total Other Funds	Fiduciary
	Housing Division	Unemployment Compensation	Water Projects Loans	Higher Education Tuition Trust	Nonmajor Enterprise				
Due From									
Major Governmental Funds:									
General	\$ 107	\$ -	\$ 529	\$ 39	\$ 1,566	\$ 2,241	\$ 7,675	\$ 29,124	\$ 627,652
State Highway	-	-	-	-	2	2	2,267	4,523	200
Municipal Bond Bank	-	-	-	-	-	-	-	4	-
Permanent School Fund	-	-	-	-	-	-	-	17,058	-
Nonmajor governmental	-	-	-	-	18	18	211	39,868	16
Total Governmental	107	-	529	39	1,586	2,261	10,153	90,577	627,868
Major Enterprise Funds:									
Housing Division	-	-	-	-	-	-	3	73	-
Unemployment Comp	-	-	-	-	-	-	-	237	-
Water Projects Loans	-	-	-	-	-	-	1	251	-
Higher Ed Tuition Trust	-	-	-	-	-	-	1	43	-
Nonmajor enterprise	-	-	-	-	21	21	82	1,634	55
Total Enterprise	-	-	-	-	21	21	87	2,238	55
Internal Service	-	-	-	-	23	23	225	1,170	16
Total other funds	\$ 107	\$ -	\$ 529	\$ 39	\$ 1,630	\$ 2,305	\$ 10,465	\$ 93,985	\$ 627,939
Fiduciary	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 5	\$ 3,780	\$ 5,106	\$ 51,773
Component Units:									
Colorado River Commission	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4	5	-
Nevada System of Higher Education	-	-	-	-	-	-	947	1,247	1,287
Nevada Capital Investment Corporation	-	-	-	-	-	-	-	39,388	-
Total Component Units	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 951	\$ 40,640	\$ 1,287

Notes to the Financial Statements

For the Year Ended June 30, 2018

	Due To		Total Component Units
	Component Units		
	Colorado River Commission	Nevada System of Higher Education	
Due From			
Primary Government:			
Governmental Activities for long term receivable	\$ -	\$ 54,028	\$ 54,028
Major Governmental Funds:			
General	160	31,717	31,877
State Highway	-	284	284
Nonmajor governmental	-	61,816	61,816
Total Governmental	160	93,817	93,977
Major Enterprise Funds:			
Higher Ed Tuition Trust	-	1	1
Total Enterprise	-	1	1
Internal Service	-	7	7
Total	\$ 160	\$ 147,853	\$ 148,013

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.

C. Transfers From/Transfers To Other Funds

A summary of transfers between funds for the year ended June 30, 2018, is shown below (expressed in thousands):

	Transfers Out/To					Total Governmental
	Major Governmental Funds				Nonmajor Governmental	
	General Fund	State Highway	Municipal Bond Bank	Permanent School Fund		
Transfers In/From						
Major Governmental Funds:						
General	\$ -	\$ 12,154	\$ 4	\$ 16,559	\$ 65,811	\$ 94,528
State Highway	1,191	-	-	-	3,621	4,812
Nonmajor governmental	12,927	2,293	7,659	-	54,809	77,688
Total Governmental	14,118	14,447	7,663	16,559	124,241	177,028
Major Enterprise Funds:						
Unemployment Comp	-	-	-	-	155,428	155,428
Higher Ed Tuition Trust	684	-	-	-	-	684
Nonmajor enterprise	83	-	-	-	-	83
Total Enterprise	767	-	-	-	155,428	156,195
Internal Service	979	885	-	-	-	1,864
Total other funds	\$ 15,864	\$ 15,332	\$ 7,663	\$ 16,559	\$ 279,669	\$ 335,087

	Transfers Out/To						Total Other Funds
	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise	Internal Service	
	Housing Division	Unemployment Compensation	Water Projects Loans				
Transfers In/From							
Major Governmental Funds:							
General	\$ -	\$ -	\$ 1,985	\$ 13,017	\$ 15,002	\$ -	\$ 109,530
State Highway	-	-	-	-	-	-	4,812
Nonmajor governmental	-	4,189	-	-	4,189	687	82,544
Total Governmental	-	4,189	1,985	13,017	19,191	687	196,886
Major Enterprise Funds:							
Unemployment Comp	-	-	-	-	-	-	155,428
Higher Ed Tuition Trust	-	-	-	-	-	-	684
Nonmajor enterprise	-	-	-	12	12	-	95
Total Enterprise	-	-	-	12	12	-	156,207
Internal Service	-	-	-	-	-	-	1,864
Total other funds	\$ -	\$ 4,189	\$ 1,985	\$ 13,029	\$ 19,203	\$ 687	\$ 354,957

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018 are as follows (expressed in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	
Restricted:			
Cash	\$ 2,750	\$ -	\$ 164,088
Investments	-	179,432	12,275
Total	<u>\$ 2,750</u>	<u>\$ 179,432</u>	<u>\$ 176,363</u>
Restricted for:			
Debt service	\$ -	\$ 179,432	\$ 1,003
Capital projects	-	-	158,650
Regulation of business	2,750	-	-
Other purposes	-	-	16,710
Total	<u>\$ 2,750</u>	<u>\$ 179,432</u>	<u>\$ 176,363</u>

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 7. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2018, was as follows (expressed in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 154,101	\$ 15,104	\$ -	\$ 169,205
Construction in progress	130,009	63,559	(66,050)	127,518
Infrastructure	4,622,007	74,631	-	4,696,638
Rights-of-way	705,358	65,572	-	770,930
Total capital assets, not being depreciated	<u>5,611,475</u>	<u>218,866</u>	<u>(66,050)</u>	<u>5,764,291</u>
<i>Capital assets, being depreciated/amortized</i>				
Buildings	1,791,201	42,340	(3,555)	1,829,986
Improvements other than buildings	131,536	19,225	-	150,761
Furniture and equipment	446,716	32,414	(15,829)	463,301
Software costs	292,067	4,584	(1,735)	294,916
Total capital assets, being depreciated/amortized	<u>2,661,520</u>	<u>98,563</u>	<u>(21,119)</u>	<u>2,738,964</u>
<i>Less accumulated depreciation/amortization for:</i>				
Buildings	(678,393)	(45,394)	3,100	(720,687)
Improvements other than buildings	(93,261)	(3,255)	-	(96,516)
Furniture and equipment	(358,623)	(25,042)	15,446	(368,219)
Software costs	(168,729)	(12,488)	1,095	(180,122)
Total accumulated depreciation/amortization	<u>(1,299,006)</u>	<u>(86,179)</u>	<u>19,641</u>	<u>(1,365,544)</u>
Total capital assets, being depreciated/amortized, net	<u>1,362,514</u>	<u>12,384</u>	<u>(1,478)</u>	<u>1,373,420</u>
Governmental activities capital assets, net	<u>\$ 6,973,989</u>	<u>\$ 231,250</u>	<u>\$ (67,528)</u>	<u>\$ 7,137,711</u>
Business-type Activities:				
<i>Capital assets, not being depreciated</i>				
Land	\$ 568	\$ -	\$ -	\$ 568
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>568</u>	<u>-</u>	<u>-</u>	<u>568</u>
<i>Capital assets, being depreciated</i>				
Buildings	3,389	-	(1,982)	1,407
Improvements other than buildings	3,656	-	1,982	5,638
Furniture and equipment	16,778	328	(312)	16,794
Total capital assets, being depreciated	<u>23,823</u>	<u>328</u>	<u>(312)</u>	<u>23,839</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(3,088)	(54)	1,982	(1,160)
Improvements other than buildings	(647)	(76)	(1,982)	(2,705)
Furniture and equipment	(5,944)	(687)	312	(6,319)
Total accumulated depreciation	<u>(9,679)</u>	<u>(817)</u>	<u>312</u>	<u>(10,184)</u>
Total capital assets, being depreciated, net	<u>14,144</u>	<u>(489)</u>	<u>-</u>	<u>13,655</u>
Business-type activities capital assets, net	<u>\$ 14,712</u>	<u>\$ (489)</u>	<u>\$ -</u>	<u>\$ 14,223</u>

Included in the table above are three Department of Corrections facilities that have been closed. These assets are idle, with a carrying value of \$9.0 million.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

Governmental activities:	
General government	\$ 4,849
Education, support services	827
Health services	874
Law, justice, public safety	35,233
Recreation, resource development	5,931
Social services	15,608
Transportation	12,032
Regulation of business	2,617
Unallocated	2,766
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	5,442
Total depreciation/amortization expense - governmental activities	\$ 86,179
Business-type activities:	
Enterprise	817
Total depreciation/amortization expense - business-type activities	\$ 817

Capital asset activity of the Nevada System of Higher Education for the year ended June 30, 2018, was as follows (expressed in thousands):

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

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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

Proceeds from the certificates of participation were used to pay the capitalized interest during the construction period, and NSHE began 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):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 3,381
2020	3,383
2021	3,383
2022	3,381
2023	3,380
2024-2043	67,641
Total future minimum lease revenues	\$ 84,549

Note 9. 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, 2018 (expressed in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
<i>Bonds payable:</i>					
General obligation bonds	\$ 1,284,172	\$ 102,605	\$ (117,347)	\$ 1,269,430	\$ 117,658
Special obligation bonds	706,165	125,905	(46,985)	785,085	39,790
Subtotal	1,990,337	228,510	(164,332)	2,054,515	157,448
Issuance premiums (discounts)	210,383	17,573	(36,087)	191,869	34,504
Total bonds payable	<u>2,200,720</u>	<u>246,083</u>	<u>(200,419)</u>	<u>2,246,384</u>	<u>191,952</u>
Certificates of participation	84,994	-	(4,165)	80,829	3,042
Issuance premiums (discounts)	1,048	-	(402)	646	331
Total certificates of participation	<u>86,042</u>	<u>-</u>	<u>(4,567)</u>	<u>81,475</u>	<u>3,373</u>
<i>Other Governmental long-term activities:</i>					
Obligations under capital leases	17,363	4,300	(3,173)	18,490	3,621
Compensated absences obligations	96,620	89,595	(85,547)	100,668	70,713
Pollution remediation obligations	2,525	3,500	(100)	5,925	660
Total other governmental long-term activities	<u>116,508</u>	<u>97,395</u>	<u>(88,820)</u>	<u>125,083</u>	<u>74,994</u>
Governmental activities long-term obligations	<u>\$ 2,403,270</u>	<u>\$ 343,478</u>	<u>\$ (293,806)</u>	<u>\$ 2,452,942</u>	<u>\$ 270,319</u>
Business-type activities:					
<i>Bonds payable:</i>					
General obligation bonds	\$ 60,103	\$ 12,835	\$ (12,508)	\$ 60,430	\$ 11,467
Special obligation bonds	641,830	136,594	(252,933)	525,491	29,370
Subtotal	701,933	149,429	(265,441)	585,921	40,837
Issuance premiums (discounts)	5,502	987	(4,085)	2,404	735
Total bonds payable	<u>707,435</u>	<u>150,416</u>	<u>(269,526)</u>	<u>588,325</u>	<u>41,572</u>
Compensated absences obligations	1,722	1,757	(1,598)	1,881	1,336
Arbitrage rebate liability	1,075	-	(1,075)	-	-
Tuition benefits payable	221,099	10,989	(14,296)	217,792	17,509
Business-type activities long-term obligations	<u>\$ 931,331</u>	<u>\$ 163,162</u>	<u>\$ (286,495)</u>	<u>\$ 807,998</u>	<u>\$ 60,417</u>

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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 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.

General obligation bonds and special obligation bonds of the primary government outstanding at June 30, 2018 are comprised of the following (expressed in thousands):

	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Principal Outstanding</u>
Governmental activities:			
<i>General obligation bonds:</i>			
Subject to Constitutional Debt Limitation	1.754-6.17%	\$ 1,792,465	\$ 1,025,895
Exempt from Constitutional Debt Limitation	2.0-6.0%	646,883	243,535
<i>Special obligation bonds:</i>			
Exempt from Constitutional Debt Limitation- Highway Improvement Revenue Bonds	3.0-5.0%	999,895	785,085
Subtotal		<u>3,439,243</u>	<u>2,054,515</u>
<i>Issuance premiums (discounts)</i>		342,623	191,869
Governmental activities bonds payable		<u>3,781,866</u>	<u>2,246,384</u>
Business-type activities:			
<i>General obligation bonds:</i>			
Exempt from Constitutional Debt Limitation	1.75-5.5%	106,207	60,430
<i>Special obligation bonds:</i>			
Housing Bonds	*.50-6.95%	903,374	525,491
Subtotal		<u>1,009,581</u>	<u>585,921</u>
<i>Issuance premiums (discounts)</i>		8,563	2,404
Business-type activities bonds payable		<u>1,018,144</u>	<u>588,325</u>
Total bonds payable		<u>\$ 4,800,010</u>	<u>\$ 2,834,709</u>

*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, 2018, of the primary government are summarized in the table following (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 157,448	\$ 93,169	\$ 40,837	\$ 16,668
2020	157,081	85,828	15,299	15,945
2021	162,503	77,767	17,235	15,296
2022	153,983	69,828	10,563	14,753
2023	150,479	62,107	10,059	14,263
2024-2028	704,066	199,634	48,808	65,445
2029-2033	379,845	73,614	72,667	55,745
2034-2038	189,110	12,452	117,909	37,171
2039-2043	-	-	90,348	23,932
2044-2048	-	-	11,854	18,213
2049-2053	-	-	60,342	7,619
2054-2058	-	-	90,000	4,013
Total	<u>\$ 2,054,515</u>	<u>\$ 674,399</u>	<u>\$ 585,921</u>	<u>\$ 289,063</u>

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018, the debt limitation and its unused portion are computed as follows (expressed in thousands):

Debt limitation (2% of total assessed valuation)	\$ 2,467,971
Less: Bonds and leases payable as of June 30, 2018, subject to limitation	<u>(1,025,895)</u>
Remaining debt capacity	<u><u>\$ 1,442,076</u></u>

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, 2018, and total outstanding loans to local governments amounted to \$91,510,000.

E. Refunded Debt and Redemptions

During the fiscal year 2018, the State of Nevada refunded \$6,700,000 in general obligation, limited tax, bonds related to open space, parks and natural resources by issuing refunding bonds with a total par amount of \$6,350,000 at a \$717,221 premium. 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 \$1,718,252 with an economic or present value gain of \$1,171,571. The reacquisition price exceeded the carrying amount of the old debt causing a deferred accounting loss of \$238,876. 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:	<u>Refunding Amount</u>	<u>Refunded Amount</u>	<u>Cash Flow Gain (Loss)</u>	<u>Present Value Gain</u>
<i>General obligation bonds:</i>				
Natural Resources and Refunding Bonds Series 2016D	\$ 2,936	\$ 2,885	\$ 1,201	\$ 714
Open Space, Parks, and Natural Resources and Refunding Bonds Series 2017C	<u>3,996</u>	<u>3,815</u>	<u>517</u>	<u>458</u>
Total	<u><u>\$ 6,932</u></u>	<u><u>\$ 6,700</u></u>	<u><u>\$ 1,718</u></u>	<u><u>\$ 1,172</u></u>

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, 2018 is \$13,191,405.

F. Capital Leases

The State has entered into various agreements for the lease of vehicles and improvement of buildings. Assets of the primary government acquired under such leases at June 30, 2018 include vehicles and building improvements of \$32,082,927 with accumulated depreciation of \$8,290,036.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018 follow (expressed in thousands):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 4,382
2020	4,210
2021	4,177
2022	2,982
2023	1,901
2024-2028	<u>3,325</u>
Total minimum lease payments	20,977
Less: amount representing interest	<u>(2,487)</u>
Obligations under capital leases	<u>\$ 18,490</u>

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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

The following schedule presents future certificates of participation payments as of June 30, 2018 (expressed in thousands):

Year Ending June 30	Principal	Interest
2019	\$ 3,042	\$ 3,722
2020	3,239	3,597
2021	3,376	3,463
2022	3,517	3,313
2023	3,683	3,148
2024-2028	20,267	13,012
2029-2033	17,500	8,497
2034-2038	11,560	5,351
2039-2043	14,645	2,268
Total	\$ 80,829	\$ 46,371

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	\$ 217,792
Net position available	320,858
Net position as a percentage of tuition benefits obligation	147.32 %

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

	<u>Universities</u>	<u>Community Colleges</u>
2019-20	4.00%	4.00%
2020-21	4.00%	4.00%
2021-22 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, 2018, and changes for the fiscal year then ended are presented in Section A of this note.

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018 there are five series of Industrial Revenue Bonds and three series of Charter School Bonds outstanding, with an aggregate principal amount payable of \$374,648,296.

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, 2018, the outstanding balance of Highway Improvement Revenue and Refunding bonds is \$785,085,000. The total of principal and interest remaining on the bonds is \$1,104,547,735 payable through December 2037. Upon completion of eligible projects, federal aid of \$343,436,484 is expected to be received in fiscal year 2019. For the current year, principal and interest paid was \$78,480,375 and total motor vehicle fuel and special fuel tax revenues were \$305,780,701.

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, 2018, the outstanding balance of Lease Revenue Certificates of Participation is \$80,829,000. The total of principal and interest remaining on the certificates is \$127,199,263 payable through June 2043. In fiscal year 2018, principal and interest of \$6,699,207 was paid. Building rent of \$7,000,000 is expected to be collected in fiscal year 2019, which will be used to pay the fiscal year 2019 debt service principal and interest of \$6,764,298.

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. During fiscal year 2018 the outstanding balance of the bonds was paid off. In fiscal year 2018, principal and interest of \$131,246,125 was paid.

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, 2018, the outstanding balance of single-family and multi-unit bonds is \$525,883,008. The total of principal and interest remaining on the bonds is \$804,645,888 payable through June 2055. In fiscal year 2018, principal and interest of \$122,081,559 was paid. As of June 30, 2018, \$179,943,769 was held by the trustee for the benefit of the single-family bondholders. The amount of payments received for mortgage loans in fiscal year 2018 is \$11,467,328. Fifty million is expected to be collected in fiscal year 2019, which, along with assets held by the trustee, will be used to pay the fiscal year 2019 debt service principal and interest of \$43,885,134.

Notes to the Financial Statements

For the Year Ended June 30, 2018

L. Pollution Remediation Obligation

Currently there are five 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, 2018 the liability, by component, is as follows (expressed in thousands):

Post remediation and site closure	\$	325
Site assessment		100
Site remediation		<u>5,500</u>
Total pollution remediation obligation	<u>\$</u>	<u>5,925</u>

M. Component Unit Obligations

Nevada System of Higher Education (NSHE) – Bonds, notes, capital leases and compensated absences payable by NSHE at June 30, 2018 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	\$ 622,715	\$ 168,132	\$ (57,290)	\$ 733,557	\$ 41,166
Issuance premiums (discounts)	39,300	8,469	(3,201)	44,568	3,263
Total bonds payable	<u>662,015</u>	<u>176,601</u>	<u>(60,491)</u>	<u>778,125</u>	<u>44,429</u>
Obligations under capital leases	51,224	70	(1,326)	49,968	1,333
Compensated absences obligations	49,837	39,870	(39,154)	50,553	35,068
Total	<u>\$ 763,076</u>	<u>\$ 216,541</u>	<u>\$ (100,971)</u>	<u>878,646</u>	<u>80,830</u>
Discretely presented component units of the NSHE:					
Compensated absences				320	-
Capital leases				921	228
Total				<u>\$ 879,887</u>	<u>\$ 81,058</u>

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

The following table presents annual principal and interest payments for bonds and notes payable outstanding by NSHE at June 30, 2018 (expressed in thousands):

Year Ending June 30	Principal	Interest
2019	\$ 44,429	\$ 32,983
2020	44,366	30,970
2021	42,435	28,834
2022	42,580	26,511
2023	41,937	24,977
2024-2028	154,463	102,075
2029-2033	151,807	69,464
2034-2038	123,480	38,968
2039-2043	75,987	19,303
2044-2048	55,952	4,937
2049-thereafter	689	-
Total	<u>\$ 778,125</u>	<u>\$ 379,022</u>

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

Colorado River Commission (CRC) – Bonds and compensated absences payable by CRC at June 30, 2018, 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	\$ 34,180	\$ -	\$ (5,970)	\$ 28,210	\$ 730
Issuance premiums (discounts)	(156)	-	6	(150)	-
Total bonds payable	34,024	-	(5,964)	28,060	730
Compensated absences obligations	320	269	(181)	408	242
Total	<u>\$ 34,344</u>	<u>\$ 269</u>	<u>\$ (6,145)</u>	<u>\$ 28,468</u>	<u>\$ 972</u>

Notes to the Financial Statements

For the Year Ended June 30, 2018

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
2019	\$ 730	\$ 1,062
2020	740	1,050
2021	755	1,034
2022	770	1,015
2023	800	994
2024-2028	4,340	4,572
2029-2033	5,190	3,702
2034-2038	6,355	2,510
2039-2043	6,960	1,098
2044	1,570	33
Total	\$ 28,210	\$ 17,070

Note 10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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 \$2,251,532,691, deferred outflows of resources of \$383,952,279, deferred inflows of resources of \$175,222,168, pension expenditures of \$171,269,733 and pension expense of \$5,544,775. 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:

Notes to the Financial Statements

For the Year Ended June 30, 2018

Regular Members	Police/Fire Members
<u>Before January 1, 2010</u>	<u>Before January 1, 2010</u>
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
<u>On or after January 1, 2010</u>	<u>On or after January 1, 2010</u>
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
<u>On or after July 1, 2015</u>	<u>On or after July 1, 2015</u>
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 33.3 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

Required contribution rates for employers and for active plan members, as a percentage of covered payroll, for the fiscal year ended June 30, 2018 were as follows:

	Statutory Rate	
	Employer	Employees
Regular employees:		
Employer-per plan	28.00 %	N/A
Employee/employer plan (matching rate)	14.50 %	14.50 %
Police and Fire employees:		
Employer-pay plan	40.50 %	N/A
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, 2018 were \$151,491,716.

Pension Liabilities, Pension Expenditure/Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the State reported a liability of \$2,233,666,424, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2017, the State's proportion was 16.79%, a decrease of .54% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the State recognized pension expenditure of \$167,359,379 and pension expense of \$5,544,775. At June 30, 2018, 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	\$ -	\$ (146,574)
Changes of assumption	148,182	-
Net difference between projected and actual earnings on pension plan investments	14,503	-
Changes in proportionate share of contributions	61,360	(25,845)
State contributions subsequent to the measurement date	153,271	-
Total	\$ 377,316	\$ (172,419)

Deferred outflows of resources of \$153,270,625 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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:	
2019	\$ 49,004
2020	(42,907)
2021	(1,910)
2022	62,597
2023	53,903
Thereafter	(69,061)

Notes to the Financial Statements

For the Year Ended June 30, 2018

Actuarial Assumptions – The State’s net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	2.75%
<i>Payroll growth:</i>	5.00%, including inflation
<i>Investment rate of return:</i>	7.50%
<i>Productivity pay increase:</i>	0.50%
<i>Projected salary increases:</i>	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 13.9%, depending on service Rates include inflation and productivity increases
<i>Consumer price index:</i>	2.75%
<i>Other assumptions:</i>	Same as those used in the June 30, 2017 funding actuarial valuation

Mortality rates were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50, mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50. The mortality rates are then projected to 2020 with Scale MP-2016. Mortality rates for disabled members were based on the Headcount-Weighted RP-2014 Disabled Retiree Table, set forward four years. Mortality rates for pre-retirement members were based on the Headcount-Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016.

Actuarial assumptions used in the June 30, 2017 valuation were based on an experience study for the period from July 1, 2012, through June 30, 2016.

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, 2017, are included in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Geometric Expected Real Rate of Return</u>
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

Discount Rate – The discount rate used to measure the total pension liability was 7.5% as of June 30, 2017. 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 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, 2017.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2017 calculated using the discount rate of 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate (expressed in thousands):

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
Net pension liability	\$ 3,376,848	\$ 2,233,666	\$ 1,284,376

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, 2018, the State reported payables to the defined benefit pension plan of \$24,098,619 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, 2017, the LRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	75
Inactive vested members	17
Inactive non-vested members	25
Active members	31
Total	<u><u>148</u></u>

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 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 \$209,668 for fiscal years 2017 and 2018, 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 2017, of which \$104,834 (half) was recognized as employer contributions in the fiscal year 2017, and the other half recognized as employer contributions in fiscal year 2018.

State contributions recognized as part of pension expense for the fiscal year ended June 30, 2018 were \$104,834.

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 Expenditure, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the State reported a net pension liability of \$530,693. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2018, the State recognized pension expenditure of \$66,168. At June 30, 2018, 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
Changes of assumptions	\$ 3	\$ -
Net difference between projected and actual earnings on pension plan investments	20	-
Differences between expected and actual experience	-	(2)
State contributions subsequent to the measurement date	105	-
Total	\$ 128	\$ (2)

Deferred outflows of resources of \$104,835 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Notes to the Financial Statements

For 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		
2019	\$	(29)
2020		63
2021		24
2022		(37)
2023		-
Thereafter		-

The following table presents the changes in the net pension liability for LRS for the year ended June 30, 2017 (expressed in thousands):

	<u>2017</u>
Total pension liability	
Service cost	\$ 29
Interest	398
Difference between expected and actual experience	(82)
Changes of assumptions	125
Benefit payments, including refunds	(482)
Net change in total pension liability	(12)
Total pension liability - beginning	5,187
Total pension liability - ending (a)	<u>\$ 5,175</u>
Plan fiduciary net position	
Contributions - employer	\$ 105
Contributions - employee	20
Net investment income	526
Benefit payments, including refunds	(481)
Administration expenses	(68)
Other	69
Net change in plan fiduciary net position	171
Plan fiduciary net position - beginning	4,474
Plan fiduciary net position - ending (b)	<u>\$ 4,645</u>
Net pension liability - beginning	\$ 713
Net pension liability - ending (a) - (b)	\$ 530
Plan fiduciary net position as a percentage of total pension liability	90%
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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	2.75%
<i>Investment rate of return:</i>	7.50%
<i>Projected salary increases:</i>	2.75%
<i>Consumer price index:</i>	2.75%
<i>Other assumptions:</i>	Same as those used in the June 30, 2017 funding actuarial valuation

Mortality rates were based on the Headcount-Weighted RP-2014 Mortality Tables, projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actuarial experience study for the period July 1, 2012, through June 30, 2016.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2017, are included in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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 7.5% as of June 30, 2017. 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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate (expressed in thousands):

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
Net pension liability	\$ 978	\$ 531	\$ 147

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, 2018, 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

At June 30, 2017, the JRS pension plan membership consisted of:

Retirees and beneficiaries currently receiving benefits	76
Inactive vested members	2
Active members	113
Total	191

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.

Option 1 - 2003 Benefit Plan: 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.

Option 2 – Previous Benefit Plan: 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.

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, 2018 was \$5,585,449 and the actual contribution made was \$4,788,927.

Pension Liability, Pension Expenditure, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the State reported a liability of \$17,335,574 for its net pension liability for the JRS pension plan.

Notes to the Financial Statements

For the Year Ended June 30, 2018

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, the State recognized pension expenditure of \$3,844,186. At June 30, 2018, 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	\$ 1,236	\$ (2,801)
Change of assumptions	55	-
Net difference between projected and actual earnings on pension plan investments	361	-
Changes in proportion and differences between State contributions and proportionate share of contributions	68	-
State contributions subsequent to the measurement date	4,789	-
Total	\$ 6,509	\$ (2,801)

Deferred outflows of resources of \$4,788,927 for contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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:	
2019	\$ (109)
2020	68
2021	(39)
2022	(675)
2023	-
Thereafter	-

The following table presents the changes in the net pension liability for JRS for the year ended June 30, 2017 (expressed in thousands):

	<u>2017</u>
Total pension liability	
Service cost	\$ 3,718
Interest	9,994
Differences between expected and actual experience	1,123
Changes of assumptions	78
Benefit payments, including refunds	(5,524)
Other	419
Net change in total pension liability	9,808
Total pension liability - beginning	123,753
Total pension liability - ending (a)	\$ 133,561
Plan fiduciary net position	
Contributions - employer	\$ 5,786
Employee purchase of service	255
Net investment income	12,556
Benefit payments, including refunds	(5,524)
Administrative expenses	(95)
Other	419
Net change in plan fiduciary net position	13,397
Plan fiduciary net position - beginning	101,102
Plan fiduciary net position - ending (b)	\$ 114,499
Net pension liability - beginning	\$ 22,651
Net pension liability - ending (a) - (b)	\$ 19,062
Plan fiduciary net position as a percentage of total pension liability	86%
Covered payroll (measurement as of end of fiscal year)	\$ 20,995
Net pension liability as a percentage of covered payroll	91%

Notes to the Financial Statements

For the Year Ended June 30, 2018

Actuarial Assumptions – The State’s net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation rate:</i>	2.75%
<i>Investment rate of return:</i>	7.50%
<i>Projected salary increases:</i>	3.00% to 8.00%, varying by service
<i>Consumer Price Index:</i>	2.75%
<i>Other assumptions:</i>	Same as those used in the June 30, 2017 funding actuarial valuation

Mortality rates were based on Headcount-Weighted RP-2014 Healthy Annuitant Mortality Tables, projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50, mortality rates are based on the Headcount-Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for members at age 50 to the mortality.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the actuarial experience study for the period July 1, 2012, through June 30, 2016.

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, 2017, are included in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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 7.5% as of June 30, 2017. 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.

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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate (expressed in thousands):

	<u>1% Decrease in Discount Rate (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase in Discount Rate (8.5%)</u>
Net pension liability	\$ 31,327	\$ 17,336	\$ 5,479

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018, the State reported payables to the defined benefit pension plan of \$371,095 for legally required employer contributions not yet remitted to JRS.

Note 11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the State’s net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State’s OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, 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. Plan assets are reported at fair value.

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

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

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

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

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

The authority for establishing an assessment to pay for a portion of the cost of premiums or contributions for the program is in statute. According to NRS 287.046 the Office of Finance shall establish an assessment that is to be used to pay for a portion of the cost of premiums or contributions for the Program for persons who were initially hired before January 1, 2012, and have retired with state service. The money assessed must be deposited into the Retirees’ Fund and must be based upon an amount approved by the Legislature each session to pay for a portion of the current and future health and welfare benefits for persons who retired before January 1, 1994, or for persons who retire on or after January 1, 1994, as adjusted by the years of service subsidy rates. The required contribution rate for employers (the retired employees group insurance rate), as a percentage of covered-employee payroll, for the fiscal year ended June 30, 2017 was 2.36%. State contributions recognized as part of OPEB expense for the current fiscal year ended June 30, 2018 were \$23,751,000.

OPEB Liabilities, OPEB Expenditure/Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB - At June 30, 2018, the State reported a liability of \$799,476,966, for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The State’s proportion of the collective net OPEB liability was based on the State’s share of contributions in the OPEB plan relative to the total contributions of all participating OPEB employers and members. At June 30, 2018, the State’s proportion was 61.43%.

For the year ended June 30, 2018, the State recognized OPEB expenditure of \$45,300,973 and OPEB expense of \$2,194,734. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 49,698
Net Differences between projected and actual investment earnings on OPEB plan investments	-	62
State contributions subsequent to the measurement date	23,751	-
Total	<u>\$ 23,751</u>	<u>\$ 49,760</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$23,750,953 resulting from State contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019.

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

Year Ended June 30:	
2019	\$ (13,163)
2020	(13,163)
2021	(13,163)
2022	(10,270)
2023	-
Thereafter	-

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

<i>Inflation:</i>	2.75%
<i>Salary increases:</i>	0.50% productivity pay increase, 2.73% average promotional and merit salary increase
<i>Investment rate of return:</i>	3.58% based on a 20-Year Municipal Bond Index
<i>Healthcare cost trend rates:</i>	7.50% initially, decreasing to a 4.50% long-term trend rate after eight years

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

The actuarial assumptions used in the June 30, 2018 valuation were based upon certain demographic and other actuarial assumptions as recommended by the actuary Aon, in conjunction with the State and guidance from the GASB statement.

Discount rate – The discount rate used to measure the total OPEB liability was 3.58%, which is consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The assets in the trust as of June 30, 2017 are less than the expected benefit payments in the first year; therefore, the crossover period is assumed to be in the first year, which provides additional support for continuing the discount rate at the 20-Year Municipal Bond Index rate.

Sensitivity of the State's proportionate share of the collective net OPEB liability to changes in the discount rate – The following presents the State's proportionate share of the collective net OPEB liability, as well as what the State's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (expressed in thousands):

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
State's proportionate share of the collective net OPEB liability	\$ 885,027	\$ 799,477	\$ 725,362

Sensitivity of the State's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the State's proportionate share of the collective net OPEB liability, as well as what the State's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (expressed in thousands):

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
State's proportionate share of the collective net OPEB liability	\$ 748,234	\$ 799,477	\$ 859,904

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

Payables to the OPEB plan – At June 30, 2018, the State reported payables to the defined benefit OPEB plan of \$161,888 for statutorily required employer contributions which had been assessed on employee salaries but not yet remitted to the Retirees' Fund.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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):

	<u>Self-Insurance</u>	<u>Insurance Premiums</u>
Balance June 30, 2016	\$ 63,014	\$ 63,717
Claims and changes in estimates	228,478	15,866
Claim payments	<u>(222,823)</u>	<u>(13,858)</u>
Balance June 30, 2017	68,669	65,725
Claims and changes in estimates	227,863	11,657
Claim payments	<u>(224,849)</u>	<u>(16,191)</u>
Balance June 30, 2018	<u><u>\$ 71,683</u></u>	<u><u>\$ 61,191</u></u>
Due Within One Year	\$ 71,683	\$ 17,268

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, 2018. 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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 \$48,826,249 as of June 30, 2018 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, 2018.

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, 2018, 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, lung and cancer disease benefits payable under the Nevada Occupational Disease Act. Any fireman or police officer that satisfies the two-year employment period under this act is eligible for coverage under Workers' Compensation for heart and lung disease. Any fireman that satisfies the five-year employment period under this act is eligible for coverage under Workers' Compensation for cancer disease. A range of estimated losses from \$5,496,500 to \$19,523,100 for heart disease, \$6,221,020 for lung disease and \$6,173,200 for cancer 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.

Loss reserve estimates are inherently uncertain because the ultimate amount the Fund will pay for many of the claims it has incurred as of the balance sheet date will not be known for many years. The estimate of loss reserves is intended to equal the difference between the expected ultimate losses of all claims that have occurred as of a balance sheet date and amounts already paid. The Fund establishes loss reserves based on its own analysis of emerging claims and review of the results of actuarial projections. The Fund's aggregate carried reserve for unpaid losses is the sum of its reserves for each accident year and represents its best estimate of outstanding loss reserves.

At June 30, 2018 total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$44,950,388. The Fund is liable for approximately \$45,000,000 as of June 30, 2018 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.

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For the Year Ended June 30, 2018

Note 13. Fund Balances and Net Position

A. Net Position-Restricted by Enabling Legislation

The government-wide statement of net position reports \$3,496,437,422 of net position-restricted for the primary government, of which \$134,174,935 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, 2018, is shown below (expressed in thousands):

Fund balances:	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental
	General Fund	State Highway	Municipal Bond Bank	Permanent School Fund		
Nonspendable:						
Long term notes/loans receivable	\$ 14,506	\$ -	\$ 88,085	\$ -	\$ -	\$ 102,591
Inventory	6,483	16,652	-	-	330	23,465
Advances	4,059	-	-	-	-	4,059
Prepaid items	2,573	628	-	-	4	3,205
Permanent fund principal	-	-	-	360,679	30	360,709
Restricted for:						
Administration	69	-	-	-	8,077	8,146
Agriculture	423	-	-	-	-	423
Business and industry	8,564	-	-	-	27,133	35,697
Capital projects	-	-	-	-	83,911	83,911
Conservation and natural resources	32,693	-	-	-	5,209	37,902
Corrections	12	-	-	-	13,001	13,013
Debt service	-	-	-	-	26,168	26,168
Economic development	3,995	-	-	-	-	3,995
Education K-12	1,823	-	-	-	-	1,823
Elected officials	1,913	-	-	-	-	1,913
Gaming control	9,603	-	-	-	-	9,603
Health and human services	3,072	-	-	-	17,135	20,207
Motor vehicles	-	48,728	-	-	-	48,728
Other purposes	-	-	-	-	3,975	3,975
Public safety	130	8,493	-	-	-	8,623
Transportation	-	421,274	-	-	-	421,274
Veteran's services	1,274	-	-	-	-	1,274
Wildlife	14,232	-	-	-	-	14,232
Committed to:						
Administration	5,955	-	-	-	-	5,955
Agriculture	5,638	-	-	-	976	6,614
Business and Industry	35,252	-	-	-	4,205	39,457
Capital projects	-	-	-	-	24,737	24,737
Conservation and natural resources	87,847	-	-	-	8,003	95,850
Corrections	7,979	-	-	-	-	7,979
Debt service	-	-	4,463	-	140,410	144,873
Economic development	17,682	-	-	-	6,686	24,368
Education K-12	40,494	-	-	-	-	40,494
Elected Officials	38,338	-	-	-	3,035	41,373
Employment and training	4,181	-	-	-	-	4,181
Fiscal emergency	235,745	-	-	-	-	235,745
Gaming control	1,230	-	-	-	-	1,230
Health and human services	78,923	-	-	-	1,041	79,964
Judicial	6,982	-	-	-	-	6,982
Legislative	51,368	-	-	-	-	51,368
Military	310	-	-	-	-	310
Motor vehicles	2,398	-	-	-	-	2,398
Other purposes	6,152	-	-	-	-	6,152
Public safety	14,565	1,900	-	-	-	16,465
Silver state health insurance	15,141	-	-	-	-	15,141
Social services	-	-	-	-	30,506	30,506
Tobacco settlement program	-	-	-	-	53,498	53,498
Taxation	2,805	-	-	-	-	2,805
Transportation	-	29,609	-	-	-	29,609
Veteran's services	5,732	-	-	-	-	5,732
Wildlife	18,093	-	-	-	-	18,093
Unassigned:	(240,488)	-	-	-	-	(240,488)
Total fund balances	<u>\$ 547,746</u>	<u>\$ 527,284</u>	<u>\$ 92,548</u>	<u>\$ 360,679</u>	<u>\$ 458,070</u>	<u>\$ 1,986,327</u>

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 a decrease in net position of \$1,153,790 for the year ended June 30, 2018, resulting in a negative net position of \$7,173,231 at June 30, 2018.

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 \$105,917 for the year ended June 30, 2018, resulting in a negative net position of \$1,256,568 at June 30, 2018.

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 a decrease in net position of \$421,971 for the year ended June 30, 2018, resulting in a negative net position of \$6,691,136 at June 30, 2018.

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 \$177,673 for the year ended June 30, 2018, resulting in a negative net position of \$1,076,135 at June 30, 2018.

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 \$4,395,722 for the year ended June 30, 2018, resulting in a negative net position of \$44,950,388 at June 30, 2018.

Administrative Services - The Administrative Services Fund provides administrative and accounting services to various divisions of the Department of Administration. The fund recorded an increase in net position of \$675,368 for the year ended June 30, 2018, resulting in a negative net position of \$3,829,613 at June 30, 2018.

Personnel - The Personnel Fund accounts for the costs of administering the State personnel system. The fund recorded an increase in net position of \$228,972 for the year ended June 30, 2018, resulting in a negative net position of \$8,322,489 at June 30, 2018.

Purchasing - The Purchasing Fund provides purchasing services to State agencies and other governmental units. The fund recorded an increase in net position of \$186,205 for the year ended June 30, 2018, resulting in a negative net position of \$2,377,639 at June 30, 2018.

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 \$4,662,838 for the year ended June 30, 2018, resulting in a negative net position of \$14,539,036 at June 30, 2018.

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:

Notes to the Financial Statements

For the Year Ended June 30, 2018

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.

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, Tire Tax and Marijuana Excise 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 NRS 374.357 or 374.358. Property tax rates vary by taxing district within Nevada. This is effective through June 30, 2018.

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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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 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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018, on an accrual basis, are summarized in the following table (expressed in thousands):

Abatement Program	Taxes Abated			
	Modified Business Tax	Property Tax	Gaming Tax	Total
Businesses	\$ 1,582	\$ 1,224	\$ -	\$ 2,806
Capital Investment \$3.5B	3,583	-	-	3,583
Renewable Energy	-	1,031	-	1,031
Green Building	-	3,659	-	3,659
Transferable Tax Credits	-	-	73,832	73,832
Total	\$ 5,165	\$ 5,914	\$ 73,832	\$ 84,911

A receivable of \$13,710, associated with Renewable Energy Tax Incentive, is due from Elko County per NRS 361.483, at June 30, 2018.

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.

Notes to the Financial Statements

For the Year Ended June 30, 2018

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.

The State is a defendant associated with a medical malpractice class action lawsuit. A jury has awarded \$250,000 to a representative plaintiff in this matter. Although a class has been certified, the Court has not determined how many persons are in the class. Accordingly, the potential exposure cannot yet be determined. Moreover, the potential judgment will be subject to post-trial motions and appeals. As a result, it is possible that the existing judgment will be reduced or eliminated. The outcome of the lawsuit 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, 2018 amounted to \$47.5 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, 2018 (expressed in thousands):

For the Year Ending June 30	Amount
2019	\$ 43,833
2020	36,513
2021	30,401
2022	24,934
2023	20,137
2024-2028	37,363
2029-2033	5,562
2034-2038	6,499
2039-2043	5,176
2044-2048	88
Total	\$ 210,506

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, 2018, 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.

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 at June 30, 2018 were \$212.5 million which includes accrued interest of \$1.3 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

Notes to the Financial Statements

For the Year Ended June 30, 2018

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, 2018, encumbered expenditures in governmental funds were as follows (expressed in thousands):

	<u>Amount</u>
General Fund	\$ 5,449
State Highway	5,202
Nonmajor governmental funds	128
Total	<u>\$ 10,779</u>

Construction Commitments – As of June 30, 2018, the Nevada Department of Transportation had total contractual commitments of approximately \$219.0 million for construction of various highway projects. Other major non-highway construction commitments for the primary government's budgeted capital projects funds total \$63.4 million.

B. Discretely Presented Component Units

Nevada System of Higher Education (NSHE) – As of June 30, 2018, 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. A jury verdict in August 2018 finding liability on behalf of the Nevada Division of Forestry, but no liability on behalf of NSHE/UNR. However, oral arguments occurred in November 2018 before the Nevada Supreme Court and the case is not yet final.

The 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, 2018.

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, 2018 is \$154.5 million. 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, 2018, the NCIC has fulfilled \$43.8 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).

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 18. Subsequent Events

A. Primary Government

Bonds – On November 1, 2018, the State issued \$57,100,000 in General Obligation (Limited Tax) Capital Improvement, Historic Preservation and Refunding Bonds. The Series 2018A Bonds were issued to finance various capital improvement projects, including (i) construction of a new Department of Motor Vehicles Service Center, (ii) construction of a new Engineering Building at the University of Nevada, Reno, (iii) to award financial assistance to pay the actual expenses of preserving or protecting historical buildings to be used to develop a network of cultural centers and activities, and (iv) to pay cost of issuance of the 2018A Bonds. On November 1, 2018, the State issued \$2,500,000 in General Obligation (Limited Tax) Natural Resources Tahoe Bonds. The Series 2018B Bonds were issued as an investment of funds in the Consolidated Bond Interest and Redemption Fund.

Litigation Settlement – On December 28, 2018, the State, along with other states and the District of Columbia, announced a \$575 million settlement with Wells Fargo Bank N.A. to resolve claims that the bank violated state consumer protection laws. Under the terms of the agreement, the State of Nevada will receive \$13.4 million. Additionally, Wells Fargo will create a consumer redress review program and implement other restitution efforts.

B. New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. GASB 83 is effective for fiscal years beginning after June 15, 2018. The anticipated impact of this pronouncement is uncertain at this time.

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

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

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

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify account for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2019. The anticipated impact of this pronouncement is uncertain at this time.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests-An Amendment to GASB Statements No. 14 and No. 61. The primary objectives are to improve the consistency and comparability of reporting government's majority equity interest in legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 is effective for fiscal years beginning after December 15, 2018. The anticipated impact of this pronouncement is uncertain at this time.

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 19. Accounting Changes and Restatements

A. Primary Government

The State implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year. This statement requires governments calculate and report the cost, obligations, deferred outflows of resources, and deferred inflows of resources associated with other postemployment benefits in their financial statements, including additional note disclosures and required supplementary information. Accordingly, beginning net position was restated to retroactively report the beginning net OPEB liability and deferred outflows of resources related to contributions made after the measurement date.

In addition, prior period adjustments were made to correct an error in the General Fund for an understatement of the Medicaid incurred but not reported claims expenditures and the related federal reimbursement in fiscal year 2017, and to correct an error in the Unemployment Compensation Fund for an overstatement of unemployment assessment receivables and revenues in fiscal year 2017.

The following table shows the changes to the beginning net position as of July 1, 2017 for the primary government (expressed in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2017 as previously reported	\$ 5,208,706	\$ 1,724,660
Net OPEB liability at June 30, 2016	(808,992)	(15,998)
Deferred outflows of resources related to contributions made during the year ended June 30, 2017	22,306	456
Unemployment assessments	-	(50,966)
Medicaid IBNR	(65,268)	-
Medicaid federal reimbursement	42,460	-
Net position at July 1, 2017 as restated	<u>\$ 4,399,212</u>	<u>\$ 1,658,152</u>

The following table shows the changes to the beginning fund balance/net position as of July 1, 2017 for the following major and nonmajor funds (expressed in thousands):

	<u>Major Governmental Fund</u>	<u>Major Enterprise Funds</u>			<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>
	<u>General Fund</u>	<u>Housing Division</u>	<u>Unemployment Compensation</u>	<u>Water Projects Loans</u>		
Fund balance/net position at June 30, 2017 as previously reported	\$ 556,687	\$ 206,485	\$ 998,017	\$ 415,709	\$ 26,637	\$ 13,440
Net OPEB liability at June 30, 2016	-	(787)	-	(232)	(14,980)	(22,004)
Deferred outflows of resources related to contributions made during the year ended June 30, 2017	-	33	-	7	417	592
Unemployment assessments	-	-	(50,966)	-	-	-
Medicaid IBNR	(65,268)	-	-	-	-	-
Medicaid federal reimbursement	42,460	-	-	-	-	-
Fund balance/net position at July 1, 2017 as restated	<u>\$ 533,879</u>	<u>\$ 205,731</u>	<u>\$ 947,051</u>	<u>\$ 415,484</u>	<u>\$ 12,074</u>	<u>\$ (7,972)</u>

Notes to the Financial Statements

For the Year Ended June 30, 2018

B. Discretely Presented Component Units

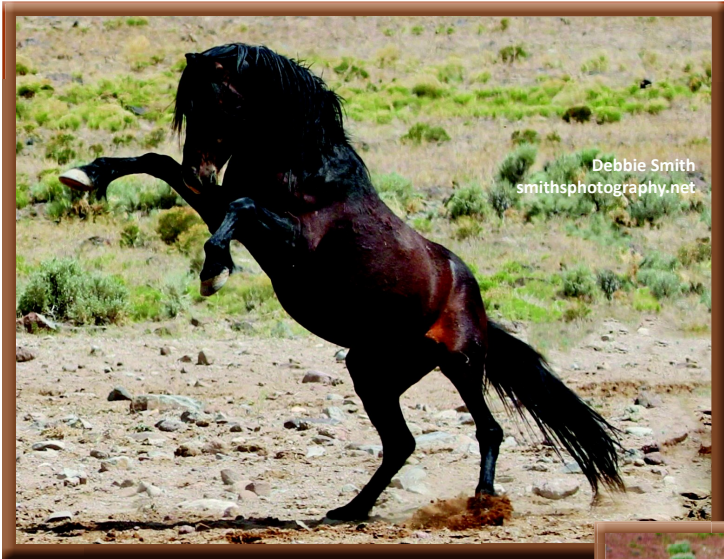
The Colorado River Commission and the Nevada System of Higher Education implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in the current year. This statement requires governments calculate and report the cost, obligations, deferred outflows of resources, and deferred inflows of resources associated with other postemployment benefits in their financial statements, including additional note disclosures and required supplementary information. Accordingly, beginning net position was restated to retroactively report the beginning net OPEB liability and deferred outflows of resources related to contributions made after the measurement date.

The Nevada System of Higher Education's system related organizations restated beginning net position for a change in accounting policy.

The following table shows the changes to the beginning net position as of July 1, 2017 for the discretely presented component units (expressed in thousands):

	Colorado River Commission	Nevada System of Higher Education
Net position at June 30, 2017 as previously reported	\$ 7,822	\$ 2,896,771
Net OPEB liability at June 30, 2016	(2,334)	(504,888)
Deferred outflows of resources related to contributions made during the year ended June 30, 2017	64	13,709
Change in accounting policy for system related organizations	-	(8,575)
Net position at July 1, 2017 as restated	<u>\$ 5,552</u>	<u>\$ 2,397,017</u>

REQUIRED SUPPLEMENTARY INFORMATION



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Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	General Fund			Variance with Final Budget
	Original Budget	Final Budget	Actual	
Sources of Financial Resources				
Fund balances, July 1	\$ 1,014,986,786	\$ 1,014,986,786	\$ 1,014,986,786	\$ -
<i>Revenues:</i>				
Sales taxes	1,199,966,000	1,199,966,000	1,189,226,502	(10,739,498)
Gaming taxes, fees, licenses	907,275,951	898,899,923	847,679,389	(51,220,534)
Intergovernmental	4,022,117,023	4,664,530,357	4,158,822,198	(505,708,159)
Other taxes	2,018,217,312	2,018,936,945	2,175,202,854	156,265,909
Sales, charges for services	283,068,464	301,324,396	256,330,551	(44,993,845)
Licenses, fees and permits	705,973,174	752,594,217	749,683,032	(2,911,185)
Interest	13,356,316	16,010,595	16,771,297	760,702
Other	368,514,870	395,848,719	326,141,422	(69,707,297)
<i>Other financing sources:</i>				
Proceeds from sale of bonds	-	4,750,000	4,751,354	1,354
Transfers	733,630,813	852,669,375	701,001,921	(151,667,454)
Reversions from other funds	-	-	1,118,129	1,118,129
Total sources of financial resources	11,267,106,709	12,120,517,313	11,441,715,435	(678,801,878)
Uses of Financial Resources				
<i>Expenditures and encumbrances:</i>				
Elected officials	177,144,067	186,447,029	134,690,445	51,756,584
Legislative and judicial	156,758,513	161,668,337	102,057,348	59,610,989
Finance and administration	126,483,074	136,057,592	112,434,627	23,622,965
Education - K to 12	2,423,340,750	2,560,329,600	2,379,253,641	181,075,959
Education - higher education	938,042,989	966,056,601	953,709,879	12,346,722
Human services	5,564,915,438	6,066,797,885	5,541,870,084	524,927,801
Commerce and industry	430,916,768	445,302,485	319,107,452	126,195,033
Public safety	471,576,390	530,309,490	448,499,877	81,809,613
Motor Vehicles	-	-	-	-
Infrastructure	376,821,305	457,900,327	207,906,027	249,994,300
Special purpose agencies	86,503,923	91,798,137	59,941,677	31,856,460
<i>Other financing uses:</i>				
Transfers to other funds	34,038,697	34,648,501	34,648,501	-
Reversions to other funds	-	-	1,049,475	(1,049,475)
Projected reversions	(50,000,000)	(50,000,000)	-	(50,000,000)
Total uses of financial resources	10,736,541,914	11,587,315,984	10,295,169,033	1,292,146,951
Fund balances, June 30	\$ 530,564,795	\$ 533,201,329	\$ 1,146,546,402	\$ 613,345,073

(continued)

State Highway				Municipal Bond Bank			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 528,473,009	\$ 528,473,009	\$ 528,473,009	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
345,812,086	398,393,140	383,089,953	(15,303,187)	-	-	-	-
387,074,068	434,019,752	432,699,916	(1,319,836)	-	-	-	-
20,019,256	20,929,042	20,916,496	(12,546)	-	-	-	-
225,182,549	231,293,126	229,891,641	(1,401,485)	-	-	-	-
1,511,818	5,804,968	7,929,408	2,124,440	3,358,780	3,473,634	3,473,585	(49)
42,511,554	45,998,398	50,951,540	4,953,142	4,190,000	4,190,000	4,190,000	-
180,000,000	136,000,000	135,004,892	(995,108)	-	-	-	-
10,157,989	16,093,514	16,058,159	(35,355)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,740,742,329</u>	<u>1,817,004,949</u>	<u>1,805,015,014</u>	<u>(11,989,935)</u>	<u>7,548,780</u>	<u>7,663,634</u>	<u>7,663,585</u>	<u>(49)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
95,854,281	97,863,975	85,138,946	12,725,029	-	-	-	-
150,511,726	165,908,084	126,775,489	39,132,595	-	-	-	-
1,116,229,750	1,279,774,565	997,576,235	282,198,330	-	-	-	-
-	-	-	-	-	-	-	-
84,067,271	84,067,271	84,067,271	-	7,548,780	7,663,634	7,663,585	49
(60,378,816)	(125,378,816)	-	(125,378,816)	-	-	-	-
<u>1,386,284,212</u>	<u>1,502,235,079</u>	<u>1,293,557,941</u>	<u>208,677,138</u>	<u>7,548,780</u>	<u>7,663,634</u>	<u>7,663,585</u>	<u>49</u>
<u>\$ 354,458,117</u>	<u>\$ 314,769,870</u>	<u>\$ 511,457,073</u>	<u>\$ 196,687,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Budgetary Reporting

The accompanying Budgetary Comparison Schedule – General Fund and Major Special Revenue Funds presents both the original and the final legally adopted budgets, as well as actual data on a budgetary basis. (Note 2 of the basic financial statements identifies the budgeting process and control.)

The original budget is adopted through passage of the General Appropriations Act, which allows for expenditures from unrestricted revenues, while the Authorized Expenditures Act allows for expenditures from revenues collected for specific purposes (restricted revenues). For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

Generally Accepted Accounting Principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of August 16th are reported instead of the amounts disclosed in the original budget. The August 16, 2018 date is used because this is the date for which the Legislative Interim Finance Committee affected the last changes to the fiscal year ended June 30, 2018 budget as permitted by NRS 353.220.

Since the budgetary and GAAP presentations of actual data differ, a reconciliation of ending fund balances is presented below (expressed in thousands):

	<u>General Fund</u>	<u>State Highway</u>	<u>Municipal Bond Bank</u>
Fund balances (budgetary basis) June 30, 2018	\$ 1,146,546	\$ 511,457	\$ -
Adjustments:			
<i>Basis differences:</i>			
Petty cash or outside bank accounts	5,080	191	-
Investments not recorded on the budgetary basis	753	-	-
Loans not recorded on the budgetary basis	-	-	91,510
Accrual of certain other receivables	356,896	6,583	1,038
Inventory	5,954	17,280	-
Advances to other funds	4,347	3,792	-
Accrual of certain accounts payable and other liabilities	(551,268)	(6,647)	-
Unearned revenues	(133,586)	-	-
Deferred inflows - unavailable	(298,075)	(6,126)	-
Encumbrances	5,449	5,202	-
Other	(10,330)	(4,447)	-
<i>Perspective differences:</i>			
Special revenue fund reclassified to General Fund for GAAP purposes	15,980	-	-
Fund balances (GAAP basis) June 30, 2018	<u>\$ 547,746</u>	<u>\$ 527,285</u>	<u>\$ 92,548</u>

Total fund balance on the budgetary basis in the General Fund at June 30, 2018, is composed of both restricted funds, which are not available for appropriation, and unrestricted funds as follows (expressed in thousands):

Total fund balance (budgetary basis)	\$ 1,146,546
Restricted funds	<u>(728,729)</u>
Unrestricted fund balance (budgetary basis)	<u>\$ 417,817</u>

Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Pension Plan Information

A. Multiple-employer Cost Sharing Plan

The following schedule presents the State's (primary government's) proportionate share of the net pension liability for the Public Employees' Retirement System at June 30, 2017 (expressed in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State's proportion of the net pension liability	16.8 %	16.3 %	16.4 %	16.6 %
State's proportionate share of the net pension liability	\$ 2,233,666	\$ 2,187,213	\$ 1,879,626	\$ 1,730,601
State's covered payroll	\$ 984,131	\$ 906,687	\$ 874,098	\$ 872,316
State's proportionate share of the net pension liability as a percentage of its covered payroll	227 %	241 %	215 %	198 %
Plan fiduciary net position as a percentage of the total pension liability	74 %	72 %	75 %	76 %

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents a ten year history of the State's (primary government's) contributions to the Public Employees' Retirement System (expressed in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contributions	\$ 153,762	\$ 151,492	\$ 190,528	\$ 176,579	\$ 174,712	\$ 162,484	\$ 163,219	\$ 160,959	\$ 164,630	\$ 153,768
Contributions in relation to the statutorily required contribution	\$ 153,762	\$ 151,492	\$ 190,528	\$ 176,579	\$ 174,712	\$ 162,484	\$ 163,219	\$ 160,959	\$ 164,630	\$ 153,768
Covered payroll	\$ 997,840	\$ 984,131	\$ 906,687	\$ 874,098	\$ 872,316	\$ 855,179	\$ 859,047	\$ 946,818	\$ 968,412	\$ 961,050
Contributions as a percentage of covered payroll	15 %	15 %	21 %	20 %	20 %	19 %	19 %	17 %	17 %	16 %

Note: GASB Statement No. 82 was implemented in fiscal year 2017, and as a result, contributions no longer include payments made by the State to satisfy contribution requirements that are identified by the plan terms as member contributions. In addition, GASB Statement No. 82 clarified covered payroll which was implemented in fiscal year 2017; prior years are not reflective of this change.

B. Single-employer Plan

The following schedule presents the changes in the net pension liability for the Legislators' Retirement System for the year ended June 30, 2017 (expressed in thousands):

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 29	\$ 31	\$ 39	\$ 37
Interest	398	414	426	428
Differences between expected and actual experience	(82)	(145)	(109)	-
Changes of assumptions	125	-	-	-
Benefit payments, including refunds	(482)	(503)	(497)	(494)
Net change in total pension liability	(12)	(203)	(141)	(29)
Total pension liability - beginning	5,187	5,390	5,531	5,560
Total pension liability - ending (a)	<u>\$ 5,175</u>	<u>\$ 5,187</u>	<u>\$ 5,390</u>	<u>\$ 5,531</u>
Plan fiduciary net position				
Contributions - employer	\$ 105	\$ 156	\$ 156	\$ 213
Contributions - employee	20	23	23	27
Net investment income	526	62	179	804
Benefit payments, including refunds	(481)	(503)	(497)	(494)
Administrative expense	(68)	(65)	(85)	(46)
Other	69	66	86	46
Net change in plan fiduciary net position	171	(261)	(138)	550
Plan fiduciary net position - beginning	4,474	4,735	4,873	4,323
Plan fiduciary net position - ending (b)	<u>\$ 4,645</u>	<u>\$ 4,474</u>	<u>\$ 4,735</u>	<u>\$ 4,873</u>
Net pension liability - beginning	\$ 713	\$ 655	\$ 658	\$ 1,237
Net pension liability - ending (a) - (b)	\$ 530	\$ 713	\$ 655	\$ 658
Plan fiduciary net position as a percentage of total pension liability	90 %	86 %	88 %	88 %
Covered payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

The following schedule presents the State's (primary government's) contributions to the Legislators' Retirement System (expressed in thousands):

	2018	2017	2016	2015
Statutorily required contributions	\$ -	\$ 210	\$ -	\$ 312
Contributions in relation to the statutorily required contribution	\$ -	\$ 210	\$ -	\$ 312
Contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
Covered Payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

C. Agent Multiple-employer Plan

The following schedule presents the changes in the net pension liability for the Judicial Retirement System for the year ended June 30, 2017 (expressed in thousands):

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 3,718	\$ 3,828	\$ 3,593	\$ 3,411
Interest	9,993	9,677	8,876	8,367
Differences between expected and actual experience	1,123	(4,211)	1,250	(2,666)
Change of assumptions	79	-	-	-
Benefit payments, including refunds	(5,524)	(5,351)	(4,896)	(4,295)
Other	419	-	2,357	990
Net change in total pension liability	9,808	3,943	11,180	5,807
Total pension liability - beginning	123,753	119,810	108,630	102,823
Total pension liability - ending (a)	<u>\$ 133,561</u>	<u>\$ 123,753</u>	<u>\$ 119,810</u>	<u>\$ 108,630</u>
Plan fiduciary net position				
Contributions - employer	\$ 5,786	\$ 5,773	\$ 6,155	\$ 6,002
Contributions - employee	255	269	96	-
Net investment income	12,556	1,556	3,206	14,252
Benefit payments, including refunds	(5,524)	(5,351)	(4,896)	(4,295)
Administrative expense	(95)	(90)	(86)	(83)
Other	419	-	2,357	990
Net change in plan fiduciary net position	13,397	2,157	6,832	16,866
Plan fiduciary net position - beginning	101,102	98,945	92,113	75,247
Plan fiduciary net position - ending (b)	<u>\$ 114,499</u>	<u>\$ 101,102</u>	<u>\$ 98,945</u>	<u>\$ 92,113</u>
Net pension liability - beginning	<u>\$ 22,651</u>	<u>\$ 20,865</u>	<u>\$ 16,517</u>	<u>\$ 27,576</u>
Net pension liability - ending (a) - (b)	<u>\$ 19,062</u>	<u>\$ 22,651</u>	<u>\$ 20,865</u>	<u>\$ 16,517</u>
Plan fiduciary net position as a percentage of total pension liability	86 %	82 %	83 %	85 %
Covered payroll (measurement as of end of fiscal year)	\$ 20,995	\$ 20,154	\$ 19,930	\$ 18,934
Net pension liability as a percentage of covered payroll	91 %	112 %	105 %	87 %

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents the State's (primary government's) contributions to the Judicial Retirement System (expressed in thousands):

	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,585	\$ 5,138	\$ 5,443	\$ 5,266
Contributions in relation to the actuarially determined contribution	\$ 4,789	\$ 5,262	\$ 5,227	\$ 5,535
Contribution (deficiency) excess	\$ (796)	\$ 124	\$ (216)	\$ 269
Covered payroll	\$ 17,583	\$ 18,195	\$ 17,425	\$ 17,132
Contributions as a percentage of covered payroll	27 %	29 %	30 %	32 %

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

Notes to Required Supplementary Information – actuarial assumptions used in calculating the actuarially determined contributions can be found in Note 10C.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Postemployment Benefits Other Than Pensions (OPEB)

The following schedule presents the State's (primary government's) proportionate share of the collective net OPEB liability at June 30, 2017 (expressed in thousands):

	<u>2017</u>
State's proportion of the collective net OPEB liability	61.4 %
State's proportionate share of the collective net OPEB liability	\$ 799,477
State's covered-employee payroll	\$ 990,429
State's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	80.7 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.11 %

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

The following schedule presents the State's (primary government's) contributions to the OPEB plan (expressed in thousands):

	<u>2018</u>
Contractually required contribution	\$ 23,755
Contributions in relation to the contractually required contribution	\$ 23,751
Contribution deficiency	\$ (4)
State's covered-employee payroll	\$ 1,010,862
Contributions as a percentage of covered-employee payroll	2.35 %

Note: This schedule requires ten years of information to be presented. However, until ten years of data is available, only those years for which information is available will be presented.

Required Supplementary Information

For the Fiscal Year Ended June 30, 2018

Schedule of Infrastructure Condition and Maintenance Data

The State has adopted the modified approach for reporting infrastructure assets defined as a single roadway network that includes bridges. Bridges are not considered a subsystem as they are included in the cost of road construction. Under this approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. The single roadway network accounted for under the modified approach includes the combination of 5,400 centerline miles of roads and 1,200 bridges.

The State manages its roadway network by dividing the roadway system into five categories based on the traffic load. The categories range from category I, representing the busiest roadways and interstates, to category V, representing the least busy rural routes with an average daily traffic of less than 400 vehicles. To monitor the condition of the roadways the State uses the International Roughness Index (IRI). IRI measures the cumulative deviation from a smooth surface. The lower the IRI value, the better the condition of the roadway. Results of the condition assessments 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 State's condition level of the roadways.

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 2017 condition assessment	90%	85%	90%	61%	25%
Actual results of 2016 condition assessment	91%	88%	92%	66%	30%
Actual results of 2015 condition assessment	87%	82%	85%	45%	13%

The State has set a policy to maintain its bridges so that not more than 10 percent are structurally deficient or functionally obsolete. The following table shows the State's policy and condition level of the bridges.

Condition Level of the Bridges			
Percentage of substandard bridges			
	2017	2016	2015
State Policy-maximum percentage	10%	10%	10%
Actual results condition assessment	1%	2%	4%

The following table shows the State's estimate of spending necessary to preserve and maintain the roadway network at, or above, the established condition level and the actual amount spent during the past five fiscal years.

Maintenance and Preservation Costs					
(Expressed in Thousands)					
	2018	2017	2016	2015	2014
Estimated	\$ 286,153	\$ 171,755	\$ 306,532	\$ 386,093	\$ 433,338
Actual	252,859	157,670	295,244	329,677	360,510

Maintenance and preservation costs are primarily funded with highway user revenue, fuel taxes, vehicle registration and license fees. The funding level for maintenance and preservation costs is affected by the amount of taxes and fees collected and the amount appropriated for construction of new roadways.

COMBINING STATEMENTS AND SCHEDULES



Virginia Range Bachelors



Nonmajor Governmental Funds

NONMAJOR SPECIAL REVENUE FUNDS

Employment Security Accounts for the administration of employment training programs (NRS 612.607), unemployment compensation claims (NRS 612.605), and employment security laws (NRS 612.615).

Unemployment Comp Bond Fund Accounts for special bond contributions assessed on employers for the purpose of retiring the bonds in the Unemployment Compensation Fund (NRS 612.613)

Regulatory Accounts for receipts and expenditures related to enforcement of regulations on manufactured housing (NRS 489.491), enforcement of regulations pursuant to dairy products (NRS 584.053), legal judgments against real estate licensees (NRS 645.842), regulation of public utilities (NRS 703.147), and regulation of taxicabs (NRS 706.8825).

Higher Education Capital Construction Accounts for the first \$5,000,000 and 20% of the remaining annual slot machine tax, which is designated for capital construction and payment of principal and interest of construction bonds for higher education (NRS 463.385).

Cleaning Up Petroleum Discharges Accounts for fees collected and claims paid related to the use, storage or discharge of petroleum (NRS 445C.310).

Hospital Care to Indigent Persons Accounts for taxes levied to provide care to indigent persons hospitalized from motor vehicle accidents, and for taxes received and payments to counties for supplemental medical assistance to indigent persons (NRS 428.175).

Tourism Promotion Accounts for room taxes and other monies designated for the support of the Commission on Tourism (NRS 231.250).

Offenders' Store Accounts for operations of the general merchandise stores and snack bars used by offenders. Earnings, except interest, must be expended for the welfare and benefit of all offenders (NRS 209.221).

Tobacco Settlement Accounts for proceeds from settlement agreements with and civil actions against manufacturers of tobacco products, forty percent of which is allocated to the Millennium Scholarship fund for the purpose of increasing the number of State residents who enroll in and attend a university or community college of the Nevada System of Higher Education (NRS 396.926), and sixty percent of which is allocated to the Healthy Nevada fund (NRS 439.620) for the purpose of assisting Nevada residents in obtaining and maintaining good health.

Attorney General Settlement Accounts for receipts from the National Mortgage Settlement for purposes of foreclosure relief and housing programs.

Gift Accounts for gifts and grants received by the Department of Conservation and Natural Resources (NRS 232.070), the Department of Wildlife (NRS 501.3585), the State Board of Education (NRS 385.095), the State Library, Archives and Public Records (NRS 378.090), the Division of State Parks (NRS 407.075), the Rehabilitation Division of the Department of Employment, Training and Rehabilitation (NRS 232.960), and the Department of Health and Human Services (NRS 232.355).

Natural Resources Accounts for grants to publicly owned water systems for water conservation and capital improvements (NRS 349.952).

NV Real Property Corp General Fund Accounts for the general fund activity of the Nevada Real Property Corporation, a blended component unit incorporated to finance certain construction projects.

Miscellaneous Accounts for receipts and expenditures related to compensation of victims of crime (NRS 217.260); fees related to private investigators and recoveries for unfair trade practices (NRS 228.096); prosecution of racketeering (NRS 207.415); and the office of advocate for customers of public utilities (NRS 228.310). It also accounts for private money received by the Division of Museums and History for the Dedicated Trust Fund (NRS 381.0031; receipts for the care of sites for the disposal of radioactive waste (NRS 459.231); and fees collected from owners of mobile home parks to provide mobile home lot rent assistance to low-income mobile home owners (NRS 118B.215).

NONMAJOR DEBT SERVICE FUNDS

Consolidated Bond Interest and Redemption Fund Accumulates monies for the payment of leases and of principal and interest on general obligation bonds of the State (NRS 349.090).

Highway Revenue Bonds Accumulates monies for the payment of principal and interest on highway revenue bonds of the State (NRS 349.300).

NONMAJOR CAPITAL PROJECTS FUNDS

Parks Capital Project Construction Accounts for the parks improvements program for the Division of State Parks of the Department of Conservation and Natural Resources (NRS 407.065).

Capital Improvement Program - Motor Vehicle Accounts for capital improvement projects for the Department of Motor Vehicles and Public Safety (NRS 341.146).

Capital Improvement Program - Human Resources Accounts for capital improvement projects for the Department of Health and Human Services (NRS 341.146).

Capital Improvement Program - University System Accounts for capital improvement projects for the Nevada System of Higher Education (NRS 341.146).

Capital Improvement Program - General State Government Accounts for capital improvement projects for general government (NRS 341.146).

Capital Improvement Program - Prison System Accounts for capital improvement projects for the Department of Corrections (NRS 341.146).

Capital Improvement Program - Military Accounts for capital improvement projects for the Department of Military (NRS 341.146).

Capital Improvement Program - Wildlife Accounts for capital improvement projects for the Department of Wildlife (NRS 341.146).

NONMAJOR PERMANENT FUND

Henry Wood Christmas Fund Accounts for the bequest of the late Henry Wood to provide Christmas gifts to orphans.

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Henry Wood Christmas Permanent Fund	Total Nonmajor Governmental Funds
Assets					
<i>Cash and pooled investments:</i>					
Cash with treasurer	\$ 209,249,597	\$ 157,719,639	\$ 185,327,331	\$ 51,205	\$ 552,347,772
Cash in custody of other officials	92,374	-	-	-	92,374
Investments	1,590,384	-	-	-	1,590,384
<i>Receivables:</i>					
Accounts receivable	21,767,757	-	-	-	21,767,757
Taxes receivable	753,491	-	-	-	753,491
Intergovernmental receivables	5,203,182	445,837	153,478	-	5,802,497
Accrued interest and dividends	1,152	6,876	-	-	8,028
Capital lease receivable	48,500,000	-	-	-	48,500,000
Due from other funds	12,012,160	1,706,941	21,671,508	372	35,390,981
Due from fiduciary funds	1,252,525	-	-	-	1,252,525
Due from component units	188,140	-	-	-	188,140
Inventory	329,544	-	-	-	329,544
Advances to other funds	-	301,272	-	-	301,272
Prepaid items	4,443	-	-	-	4,443
Total assets	\$ 300,944,749	\$ 160,180,565	\$ 207,152,317	\$ 51,577	\$ 668,329,208
Liabilities					
<i>Accounts payable and accruals:</i>					
Accounts payable	\$ 8,366,092	\$ 105,109	\$ 117,460	\$ -	\$ 8,588,661
Accrued payroll and related liabilities	1,924,602	-	-	-	1,924,602
Intergovernmental payables	998,133	-	-	-	998,133
Contracts/retentions payable	-	-	22,639,197	-	22,639,197
Due to other funds	22,487,211	4,902	17,374,658	729	39,867,500
Due to fiduciary funds	16,101	-	-	-	16,101
Due to component units	3,056,436	-	58,759,665	-	61,816,101
Unearned revenues	1,695,095	-	-	-	1,695,095
Other liabilities	2,940,543	-	-	-	2,940,543
Total liabilities	41,484,213	110,011	98,890,980	729	140,485,933
Deferred Inflows of Resources					
<i>Unavailable revenue:</i>					
Taxes	370,414	-	-	-	370,414
Licenses, fees and permits	107	-	-	-	107
Sales and charges for services	6,830	-	-	-	6,830
Settlement income	19,556,818	-	-	-	19,556,818
Lease principal payments	48,500,000	-	-	-	48,500,000
Interest	390,314	193,586	106,949	56	690,905
Other	648,089	-	-	-	648,089
Total deferred inflows of resources	69,472,572	193,586	106,949	56	69,773,163
Fund Balances					
Nonspendable	333,987	-	-	30,000	363,987
Restricted	75,002,684	26,167,748	83,417,423	20,792	184,608,647
Committed	114,651,293	133,709,220	24,736,965	-	273,097,478
Total fund balances	189,987,964	159,876,968	108,154,388	50,792	458,070,112
Total liabilities and deferred inflows of resources and fund balances	\$ 300,944,749	\$ 160,180,565	\$ 207,152,317	\$ 51,577	\$ 668,329,208

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Henry Wood Christmas Permanent Fund	Total Nonmajor Governmental Funds
Revenues					
Gaming taxes, fees, licenses	\$ 13,332,524	\$ -	\$ -	\$ -	\$ 13,332,524
Property and transfer taxes	13,566,256	157,498,796	-	-	171,065,052
Motor and special fuel taxes	-	74,524,218	-	-	74,524,218
Other taxes	90,089,885	-	-	-	90,089,885
Intergovernmental	89,582,427	2,910,049	3,549,960	-	96,042,436
Licenses, fees and permits	21,021,798	-	-	-	21,021,798
Sales and charges for services	20,462,836	248,595	-	-	20,711,431
Interest and investment income	1,591,153	1,380,205	656,490	428	3,628,276
Settlement income	42,081,347	-	-	-	42,081,347
Other	10,431,428	-	10,323	-	10,441,751
Total revenues	302,159,654	236,561,863	4,216,773	428	542,938,718
Expenditures					
<i>Current:</i>					
General government	34,918,135	205,178	-	-	35,123,313
Health services	81,937	-	-	-	81,937
Social services	88,613,261	-	-	-	88,613,261
Education - higher education	2,658,781	-	15,089,533	-	17,748,314
Law, justice and public safety	32,701,997	-	-	-	32,701,997
Regulation of business	20,378,983	-	-	-	20,378,983
Recreation and resource development	32,474,072	-	-	-	32,474,072
Capital outlay	-	-	69,036,787	-	69,036,787
<i>Debt service:</i>					
Principal	-	164,682,000	-	-	164,682,000
Interest	1,025	96,937,119	-	-	96,938,144
Debt issuance costs	60,737	-	753,336	-	814,073
Total expenditures	211,888,928	261,824,297	84,879,656	-	558,592,881
Excess (deficiency) of revenues over (under) expenditures	90,270,726	(25,262,434)	(80,662,883)	428	(15,654,163)
Other Financing Sources (Uses)					
Bonds issued	3,030,000	-	85,635,000	-	88,665,000
Premium on bonds issued	538,823	-	6,260,812	-	6,799,635
Sale of capital assets	11,321	-	-	-	11,321
Transfers in	14,885,422	25,157,298	42,501,164	-	82,543,884
Transfers out	(239,949,133)	(93,456)	(39,626,356)	(729)	(279,669,674)
Total other financing sources (uses)	(221,483,567)	25,063,842	94,770,620	(729)	(101,649,834)
Net change in fund balances	(131,212,841)	(198,592)	14,107,737	(301)	(117,303,997)
Fund balances, July 1	321,200,805	160,075,560	94,046,651	51,093	575,374,109
Fund balances, June 30	\$ 189,987,964	\$ 159,876,968	\$ 108,154,388	\$ 50,792	\$ 458,070,112

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2018

	Employment Security	Unemployment Comp Bond Fund	Regulatory	Higher Education Capital Construction
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 23,192,905	\$ -	\$ 12,757,294	\$ 10,974,279
Cash in custody of other officials	-	-	2,000	-
Investments	-	-	-	-
<i>Receivables:</i>				
Accounts receivable	-	-	544,536	-
Taxes receivable	370,414	-	-	-
Intergovernmental receivables	5,062,535	-	-	-
Accrued interest and dividends	-	-	-	-
Capital lease receivable	-	-	-	-
Due from other funds	1,946,497	-	138,471	4,215,347
Due from fiduciary funds	-	-	-	-
Due from component units	-	-	-	-
Inventory	-	-	-	-
Prepaid items	-	-	4,443	-
Total assets	\$ 30,572,351	\$ -	\$ 13,446,744	\$ 15,189,626
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	\$ 2,003,764	\$ -	\$ 112,357	\$ 2,700
Accrued payroll and related liabilities	1,009,161	-	520,476	-
Intergovernmental payables	496,045	-	-	-
Due to other funds	3,801,564	-	230,666	8,486,065
Due to fiduciary funds	800	-	-	-
Due to component units	199,541	-	-	-
Unearned revenues	-	-	1,695,095	-
Other liabilities	-	-	-	-
Total liabilities	7,510,875	-	2,558,594	8,488,765
Deferred Inflows of Resources				
<i>Unavailable revenue:</i>				
Taxes	370,414	-	-	-
Licenses, fees and permits	-	-	107	-
Sales and charges for services	-	-	6,830	-
Settlement income	-	-	-	-
Lease principal payments	-	-	-	-
Interest	24,722	-	7,817	-
Other	1,540	-	-	-
Total deferred inflows of resources	396,676	-	14,754	-
Fund Balances				
Nonspendable	-	-	4,443	-
Restricted	15,544,911	-	5,688,397	-
Committed	7,119,889	-	5,180,556	6,700,861
Total fund balances	22,664,800	-	10,873,396	6,700,861
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,572,351	\$ -	\$ 13,446,744	\$ 15,189,626

(continued)

Cleaning Up Petroleum Discharges	Hospital Care to Indigent Persons	Tourism Promotion	Offenders' Store	Tobacco Settlement	Attorney General Settlement	Gift
\$ 11,487,765	\$ 23,523,930	\$ 6,726,471	\$ 11,822,929	\$ 57,665,301	\$ 21,745,330	\$ 2,620,247
-	-	-	-	-	-	21,397
-	-	-	-	-	-	130,656
-	-	-	1,160,291	19,556,825	120	25,359
-	383,077	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,152
-	-	-	-	-	-	-
62,025	196,575	4,281,258	358,949	483,873	162,891	18,832
-	-	-	1,138,342	-	-	-
-	-	-	-	-	-	-
-	-	-	156,301	-	-	-
-	-	-	-	-	-	-
<u>\$ 11,549,790</u>	<u>\$ 24,103,582</u>	<u>\$ 11,007,729</u>	<u>\$ 14,636,812</u>	<u>\$ 77,705,999</u>	<u>\$ 21,908,341</u>	<u>\$ 2,817,643</u>
\$ 174,394	\$ 59,525	\$ 3,968,336	\$ 219,001	\$ 266,993	\$ 365,948	\$ (7,316)
-	-	79,180	130,586	10,169	69,272	-
100	-	263,531	260	138,997	-	-
3,958,201	626,552	10,849	450,738	4,143,252	4,468	371
-	-	-	15,301	-	-	-
-	-	-	-	34,742	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,132,695</u>	<u>686,077</u>	<u>4,321,896</u>	<u>815,886</u>	<u>4,594,153</u>	<u>439,688</u>	<u>(6,945)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	19,556,818	-	-
-	-	-	-	-	-	-
9,315	29,524	120	24,796	57,040	24,465	2,720
-	-	-	639,117	-	-	-
<u>9,315</u>	<u>29,524</u>	<u>120</u>	<u>663,913</u>	<u>19,613,858</u>	<u>24,465</u>	<u>2,720</u>
-	-	-	156,301	-	-	-
-	-	-	13,000,712	-	21,444,188	2,227,093
7,407,780	23,387,981	6,685,713	-	53,497,988	-	594,775
<u>7,407,780</u>	<u>23,387,981</u>	<u>6,685,713</u>	<u>13,157,013</u>	<u>53,497,988</u>	<u>21,444,188</u>	<u>2,821,868</u>
<u>\$ 11,549,790</u>	<u>\$ 24,103,582</u>	<u>\$ 11,007,729</u>	<u>\$ 14,636,812</u>	<u>\$ 77,705,999</u>	<u>\$ 21,908,341</u>	<u>\$ 2,817,643</u>

Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2018

	Natural Resources	NV Real Property Corp General Fund	Miscellaneous	Total Nonmajor Special Revenue Funds
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 5,277,915	\$ 483,277	\$ 20,971,954	\$ 209,249,597
Cash in custody of other officials	-	-	68,977	92,374
Investments	-	-	1,459,728	1,590,384
<i>Receivables:</i>				
Accounts receivable	-	-	480,626	21,767,757
Taxes receivable	-	-	-	753,491
Intergovernmental receivables	-	-	140,647	5,203,182
Accrued interest and dividends	-	-	-	1,152
Capital lease receivable	-	48,500,000	-	48,500,000
Due from other funds	39,855	12,454	95,133	12,012,160
Due from fiduciary funds	-	-	114,183	1,252,525
Due from component units	-	188,140	-	188,140
Inventory	-	-	173,243	329,544
Prepaid items	-	-	-	4,443
Total assets	\$ 5,317,770	\$ 49,183,871	\$ 23,504,491	\$ 300,944,749
Liabilities				
<i>Accounts payable and accruals:</i>				
Accounts payable	\$ 106,294	-	\$ 1,094,096	\$ 8,366,092
Accrued payroll and related liabilities	-	-	105,758	1,924,602
Intergovernmental payables	84,616	-	14,584	998,133
Due to other funds	91,772	-	682,713	22,487,211
Due to fiduciary funds	-	-	-	16,101
Due to component units	-	-	2,822,153	3,056,436
Unearned revenues	-	-	-	1,695,095
Other liabilities	-	-	2,940,543	2,940,543
Total liabilities	282,682	-	7,659,847	41,484,213
Deferred Inflows of Resources				
<i>Unavailable revenue:</i>				
Taxes	-	-	-	370,414
Licenses, fees and permits	-	-	-	107
Sales and charges for services	-	-	-	6,830
Settlement income	-	-	-	19,556,818
Lease principal payments	-	48,500,000	-	48,500,000
Interest	5,961	190,011	13,823	390,314
Other	-	-	7,432	648,089
Total deferred inflows of resources	5,961	48,690,011	21,255	69,472,572
Fund Balances				
Nonspendable	-	-	173,243	333,987
Restricted	5,029,127	493,860	11,574,396	75,002,684
Committed	-	-	4,075,750	114,651,293
Total fund balances	5,029,127	493,860	15,823,389	189,987,964
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,317,770	\$ 49,183,871	\$ 23,504,491	\$ 300,944,749



Washoe Lake is a favorite Grazing location on the East Side of the Virginia Range.



Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Employment Security	Unemployment Comp Bond Fund	Regulatory	Higher Education Capital Construction
Revenues				
Gaming taxes, fees, licenses	\$ -	\$ -	\$ -	\$ 13,332,524
Property and transfer taxes	-	-	-	-
Other taxes	14,499,610	34,998,617	60,369	-
Intergovernmental	68,924,542	-	728,951	-
Licenses, fees and permits	435,308	-	17,337,746	-
Sales and charges for services	625,143	-	542	-
Interest and investment income	137,744	286,250	64,559	-
Settlement income	-	-	-	-
Other	1,204	-	614,091	-
Total revenues	84,623,551	35,284,867	18,806,258	13,332,524
Expenditures				
<i>Current:</i>				
General government	-	-	-	-
Health services	-	-	-	-
Social services	80,917,169	-	-	-
Education - higher education	-	-	-	2,658,781
Law, justice and public safety	-	-	-	-
Regulation of business	-	-	19,121,408	-
Recreation and resource development	-	-	-	-
<i>Debt service:</i>				
Interest	-	-	-	1,025
Debt issuance costs	-	-	-	-
Total expenditures	80,917,169	-	19,121,408	2,659,806
Excess (deficiency) of revenues over (under) expenditures	3,706,382	35,284,867	(315,150)	10,672,718
Other Financing Sources (Uses)				
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Sale of capital assets	11,321	-	-	-
Transfers in	6,111,203	-	213,736	-
Transfers out	(4,247,260)	(156,008,128)	(383,940)	(11,512,972)
Total other financing sources (uses)	1,875,264	(156,008,128)	(170,204)	(11,512,972)
Net change in fund balances	5,581,646	(120,723,261)	(485,354)	(840,254)
Fund balances, July 1	17,083,154	120,723,261	11,358,750	7,541,115
Fund balances, June 30	\$ 22,664,800	\$ -	\$ 10,873,396	\$ 6,700,861

(continued)

Cleaning Up Petroleum Discharges	Hospital Care to Indigent Persons	Tourism Promotion	Offenders' Store	Tobacco Settlement	Attorney General Settlement	Gift
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	13,566,256	-	-	-	-	-
14,361,972	-	24,629,235	-	-	-	-
-	19,134,926	-	-	-	-	-
407,400	-	34,610	-	-	-	-
-	-	-	19,338,952	-	-	-
47,451	204,677	573	182,102	195,256	224,518	(103,955)
-	-	-	-	42,081,347	-	-
-	-	4,605	17,999	28,208	5,280	757,395
<u>14,816,823</u>	<u>32,905,859</u>	<u>24,669,023</u>	<u>19,539,053</u>	<u>42,304,811</u>	<u>229,798</u>	<u>653,440</u>
-	-	-	-	34,837,793	-	77,592
-	-	-	-	-	-	-
-	129,525	-	-	7,519,626	-	46,941
-	-	-	15,182,333	-	5,082,589	-
-	-	-	-	-	-	-
9,459,453	-	20,183,538	-	-	-	555,140
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>9,459,453</u>	<u>129,525</u>	<u>20,183,538</u>	<u>15,182,333</u>	<u>42,357,419</u>	<u>5,082,589</u>	<u>679,673</u>
<u>5,357,370</u>	<u>32,776,334</u>	<u>4,485,485</u>	<u>4,356,720</u>	<u>(52,608)</u>	<u>(4,852,791)</u>	<u>(26,233)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	713	-	7,928,146	-	729
<u>(5,426,848)</u>	<u>(30,739,683)</u>	<u>(4,988,683)</u>	<u>(5,141,181)</u>	<u>(14,372,018)</u>	<u>-</u>	<u>-</u>
<u>(5,426,848)</u>	<u>(30,739,683)</u>	<u>(4,987,970)</u>	<u>(5,141,181)</u>	<u>(6,443,872)</u>	<u>-</u>	<u>729</u>
<u>(69,478)</u>	<u>2,036,651</u>	<u>(502,485)</u>	<u>(784,461)</u>	<u>(6,496,480)</u>	<u>(4,852,791)</u>	<u>(25,504)</u>
<u>7,477,258</u>	<u>21,351,330</u>	<u>7,188,198</u>	<u>13,941,474</u>	<u>59,994,468</u>	<u>26,296,979</u>	<u>2,847,372</u>
<u>\$ 7,407,780</u>	<u>\$ 23,387,981</u>	<u>\$ 6,685,713</u>	<u>\$ 13,157,013</u>	<u>\$ 53,497,988</u>	<u>\$ 21,444,188</u>	<u>\$ 2,821,868</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

	Natural Resources	NV Real Property Corp General Fund	Miscellaneous	Total Nonmajor Special Revenue Funds
Revenues				
Gaming taxes, fees, licenses	\$ -	\$ -	\$ -	13,332,524
Property and transfer taxes	-	-	-	13,566,256
Other taxes	-	-	1,540,082	90,089,885
Intergovernmental	-	-	794,008	89,582,427
Licenses, fees and permits	-	-	2,806,734	21,021,798
Sales and charges for services	-	-	498,199	20,462,836
Interest and investment income	38,244	34,683	279,051	1,591,153
Settlement income	-	-	-	42,081,347
Other	-	6,686,774	2,315,872	10,431,428
Total revenues	38,244	6,721,457	8,233,946	302,159,654
Expenditures				
<i>Current:</i>				
General government	-	2,750	-	34,918,135
Health services	-	-	81,937	81,937
Social services	-	-	-	88,613,261
Education - higher education	-	-	-	2,658,781
Law, justice and public safety	-	-	12,437,075	32,701,997
Regulation of business	-	-	1,257,575	20,378,983
Recreation and resource development	2,275,941	-	-	32,474,072
<i>Debt service:</i>				
Interest	-	-	-	1,025
Debt issuance costs	60,737	-	-	60,737
Total expenditures	2,336,678	2,750	13,776,587	211,888,928
Excess (deficiency) of revenues over (under) expenditures	(2,298,434)	6,718,707	(5,542,641)	90,270,726
Other Financing Sources (Uses)				
Bonds issued	3,030,000	-	-	3,030,000
Premium on bonds issued	538,823	-	-	538,823
Sale of capital assets	-	-	-	11,321
Transfers in	-	-	630,895	14,885,422
Transfers out	(241,408)	(6,699,207)	(187,805)	(239,949,133)
Total other financing sources (uses)	3,327,415	(6,699,207)	443,090	(221,483,567)
Net change in fund balances	1,028,981	19,500	(5,099,551)	(131,212,841)
Fund balances, July 1	4,000,146	474,360	20,922,940	321,200,805
Fund balances, June 30	\$ 5,029,127	\$ 493,860	\$ 15,823,389	\$ 189,987,964



This Stallion is at a watering hole located near USA Parkway, a popular place to watch the horses.

Combining Balance Sheet Other Nonmajor Governmental Funds

June 30, 2018

	Debt Service Funds			Capital Projects Funds	
	Consolidated Bond Interest and Redemption	Highway Revenue Bonds	Total	Parks Capital Project Construction	CIP Motor Vehicle
Assets					
<i>Cash and pooled investments:</i>					
Cash with treasurer	\$ 131,551,891	\$ 26,167,748	\$ 157,719,639	\$ -	\$ 15,050,722
<i>Receivables:</i>					
Intergovernmental receivables	445,837	-	445,837	-	-
Accrued interest and dividends	6,876	-	6,876	-	-
Due from other funds	1,706,941	-	1,706,941	-	111,883
Advances to other funds	301,272	-	301,272	-	-
Total assets	\$ 134,012,817	\$ 26,167,748	\$ 160,180,565	\$ -	\$ 15,162,605
Liabilities					
<i>Accounts payable and accruals:</i>					
Accounts payable	\$ 105,109	\$ -	\$ 105,109	\$ -	\$ 4,284
Contracts/retentions payable	-	-	-	-	189,640
Due to other funds	4,902	-	4,902	-	24,122
Due to component units	-	-	-	-	-
Total liabilities	110,011	-	110,011	-	218,046
Deferred Inflows of Resources					
<i>Unavailable revenue:</i>					
Interest	193,586	-	193,586	-	16,804
Total deferred inflows of resources	193,586	-	193,586	-	16,804
Fund Balances					
Restricted	-	26,167,748	26,167,748	-	14,901,539
Committed	133,709,220	-	133,709,220	-	26,216
Total fund balances	133,709,220	26,167,748	159,876,968	-	14,927,755
Total liabilities and deferred inflows of resources and fund balances	\$ 134,012,817	\$ 26,167,748	\$ 160,180,565	\$ -	\$ 15,162,605

(continued)

Capital Projects Funds

<u>CIP University System</u>	<u>CIP General State Government</u>	<u>CIP Prison System</u>	<u>CIP Military</u>	<u>CIP Wildlife</u>	<u>CIP Bond Proceeds</u>	<u>Total</u>
\$ 56,256,452	\$ 5,410,094	\$ 5,012,689	\$ 24,805,969	\$ 2,273	\$ 78,789,132	\$ 185,327,331
-	-	-	153,478	-	-	153,478
6,459,098	2,861,764	2,521,582	8,969,915	147,062	600,204	21,671,508
<u>\$ 62,715,550</u>	<u>\$ 8,271,858</u>	<u>\$ 7,534,271</u>	<u>\$ 33,929,362</u>	<u>\$ 149,335</u>	<u>\$ 79,389,336</u>	<u>\$ 207,152,317</u>
\$ -	\$ 103,298	\$ 9,585	\$ 293	\$ -	\$ -	\$ 117,460
3,934,908	3,748,675	4,303,757	10,312,883	149,334	-	22,639,197
20,977	232,383	60,131	53,771	-	16,983,274	17,374,658
58,759,665	-	-	-	-	-	58,759,665
<u>62,715,550</u>	<u>4,084,356</u>	<u>4,373,473</u>	<u>10,366,947</u>	<u>149,334</u>	<u>16,983,274</u>	<u>98,890,980</u>
-	-	-	-	-	90,145	106,949
-	-	-	-	-	90,145	106,949
-	1,739,446	2,838,089	1,622,431	1	62,315,917	83,417,423
-	2,448,056	322,709	21,939,984	-	-	24,736,965
-	4,187,502	3,160,798	23,562,415	1	62,315,917	108,154,388
<u>\$ 62,715,550</u>	<u>\$ 8,271,858</u>	<u>\$ 7,534,271</u>	<u>\$ 33,929,362</u>	<u>\$ 149,335</u>	<u>\$ 79,389,336</u>	<u>\$ 207,152,317</u>

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

For the Fiscal Year Ended June 30, 2018

	Debt Service Funds			Capital Projects Funds	
	Consolidated Bond Interest and Redemption	Highway Revenue Bonds	Total	Parks Capital Project Construction	CIP Motor Vehicle
Revenues					
Property and transfer taxes	\$ 157,498,796	\$ -	\$ 157,498,796	\$ -	\$ -
Motor and special fuel taxes	-	74,524,218	74,524,218	-	-
Intergovernmental	2,910,049	-	2,910,049	-	-
Sales and charges for services	248,595	-	248,595	-	-
Interest and investment income	1,380,205	-	1,380,205	5	188,778
Other	-	-	-	-	8,067
Total revenues	162,037,645	74,524,218	236,561,863	5	196,845
Expenditures					
<i>Current:</i>					
General government	205,178	-	205,178	-	-
Education - higher education	-	-	-	-	-
Capital outlay	-	-	-	5	2,174,374
<i>Debt service:</i>					
Principal	117,697,000	46,985,000	164,682,000	-	-
Interest	65,441,744	31,495,375	96,937,119	-	-
Debt issuance costs	-	-	-	-	113,000
Total expenditures	183,343,922	78,480,375	261,824,297	5	2,287,374
Deficiency of revenues under expenditures	(21,306,277)	(3,956,157)	(25,262,434)	-	(2,090,529)
Other Financing Sources (Uses)					
Bonds issued	-	-	-	-	12,421,459
Premium on bonds issued	-	-	-	-	939,122
Transfers in	25,157,298	-	25,157,298	-	-
Transfers out	(93,456)	-	(93,456)	-	(18,067)
Total other financing sources (uses)	25,063,842	-	25,063,842	-	13,342,514
Net change in fund balances	3,757,565	(3,956,157)	(198,592)	-	11,251,985
Fund balances, July 1	129,951,655	30,123,905	160,075,560	-	3,675,770
Fund balances, June 30	\$ 133,709,220	\$ 26,167,748	\$ 159,876,968	\$ -	\$ 14,927,755

(continued)

Capital Projects Funds

CIP University System	CIP General State Government	CIP Prison System	CIP Military	CIP Wildlife	CIP Bond Proceeds	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	142,356	-	3,407,604	-	-	3,549,960
-	-	-	-	-	-	-
-	-	-	-	-	467,707	656,490
-	-	-	2,256	-	-	10,323
-	142,356	-	3,409,860	-	467,707	4,216,773
-	-	-	-	-	-	-
-	-	-	-	-	15,089,533	15,089,533
-	16,115,777	16,844,366	32,882,754	1,019,511	-	69,036,787
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	640,336	753,336
-	16,115,777	16,844,366	32,882,754	1,019,511	15,729,869	84,879,656
-	(15,973,421)	(16,844,366)	(29,472,894)	(1,019,511)	(15,262,162)	(80,662,883)
-	-	-	-	-	73,213,541	85,635,000
-	-	-	-	-	5,321,690	6,260,812
-	12,411,508	13,966,103	15,161,931	961,622	-	42,501,164
-	(25,528)	-	(2,256)	-	(39,580,505)	(39,626,356)
-	12,385,980	13,966,103	15,159,675	961,622	38,954,726	94,770,620
-	(3,587,441)	(2,878,263)	(14,313,219)	(57,889)	23,692,564	14,107,737
-	7,774,943	6,039,061	37,875,634	57,890	38,623,353	94,046,651
\$ -	\$ 4,187,502	\$ 3,160,798	\$ 23,562,415	\$ 1	\$ 62,315,917	\$ 108,154,388

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis

All General Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
Elected officials			
Attorney General Administrative Account	\$ 27,776,168	\$ 26,997,687	\$ 778,481
Attorney General Council For Prosecuting Attorneys	371,673	178,923	192,750
Attorney General Crime Prevention	456,221	450,948	5,273
Attorney General Extradition Coordinator	553,329	542,531	10,798
Attorney General Forfeiture	252,009	145,936	106,073
Attorney General Medicaid Fraud	3,363,716	1,970,930	1,392,786
Attorney General Private Investigator Licensing Bd	2,046,738	1,484,921	561,817
Attorney General Special Litigation Fund	9,316,153	3,048,030	6,268,123
Attorney General State Settlements	6,501,932	2,480,898	4,021,034
Attorney General Victims of Domestic Violence	411,829	340,331	71,498
Attorney General Violence Against Women Grants	5,735,706	3,987,915	1,747,791
Attorney General Workers' Compensation Fraud	4,340,360	3,645,990	694,370
Controller's Office	5,911,480	5,438,271	473,209
Controller's Office Debt Recovery	384,375	73,545	310,830
Ethics Commission	870,951	824,048	46,903
Governor's Commission for Deaf Persons	25,000	21,318	3,682
Governor's Finance Office	3,483,918	3,429,836	54,082
Governor's High Level Nuclear Waste	1,899,382	1,713,573	185,809
Governor's Finance Division of Internal Audits	1,545,669	1,447,466	98,203
Governor's Finance Office Info Technology Project	2,477,639	1,474,737	1,002,902
Governor's Finance Office Special Appropriations	19,715,810	19,264,994	450,816
Governor's Mansion Maintenance	320,859	268,440	52,419
Governor's Merit Award Board	1,424	445	979
Governor's NV P20 Workforce Reporting	1,076,946	894,068	182,878
Governor's Office	2,341,475	2,261,828	79,647
Governor's Office of Energy	1,925,952	1,509,069	416,883
Governor's Office of Workforce Innovation	2,519,774	1,027,982	1,491,792
Governor's Renewable Energy Account	14,365,854	3,621,260	10,744,594
Governor's Renewable Energy Program	2,069,077	807,957	1,261,120
Governor's Science Innovation and Technology	3,506,852	3,462,357	44,495
Governor's Washington Office	259,434	259,433	1
Governor's WICHE Administration	383,538	373,005	10,533
Governor's WICHE Loan and Stipend	1,180,345	1,074,613	105,732
Lieutenant Governor	569,848	520,091	49,757
Secretary of State	28,373,382	18,139,629	10,233,753
Secretary of State Advisory Committee Gift	63	-	63
Secretary of State HAVA Elections Account	9,070,363	8,970,955	99,408
Secretary of State Notary Training	466,125	156,721	309,404
Secretary of State Securities Forfeiture Account	99,533	-	99,533
State Treasurer	3,085,457	2,963,819	121,638
State Treasurer's College Savings Endowment	11,252,469	3,884,838	7,367,631
State Treasurer's College Savings Private Entity	83,419	-	83,419
State Treasurer's Nevada College Savings Trust	3,599,776	3,406,630	193,146
State Treasurer's Silicosis and Disabled Pensions	84,424	31,958	52,466
State Treasurer's Unclaimed Property	2,370,582	2,092,519	278,063
	<u>186,447,029</u>	<u>134,690,445</u>	<u>51,756,584</u>
Legislative and judicial			
Judicial Branch			
Administrative Office of the Courts	5,475,813	3,725,228	1,750,585
Court of Appeals	2,648,186	2,627,364	20,822
Judicial Discipline	906,100	849,711	56,389
Judicial Education	1,439,542	699,238	740,304
Judicial Programs and Services Division	1,302,890	1,144,578	158,312
Judicial Retirement System State Share	1,598,389	1,598,389	-
Judicial Selection	15,349	5,099	10,250
Judicial Support, Governance and Special Events	434,944	200,066	234,878
Law Library	1,870,267	1,715,442	154,825
Law Library Gift Fund	18,498	32	18,466
Senior Justice and Senior Judge Program	1,492,503	1,468,767	23,736
Specialty Courts	11,555,456	8,328,549	3,226,907
State Judicial Elected Officials	22,286,565	21,670,638	615,927
Supreme Court	12,552,675	12,099,104	453,571
Uniform System of Judicial Records	2,683,844	1,376,918	1,306,926

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Legislative Branch			
Disaster Relief	9,868,318	310,363	9,557,955
Foreclosure Mediation	1,762,699	493,723	1,268,976
Interim Finance Committee	66,749,840	39,955,283	26,794,557
Legislative Counsel Bureau Disbursement	17,000,000	3,788,856	13,211,144
So Nevada Community Project Fund	6,459	-	6,459
	<u>161,668,337</u>	<u>102,057,348</u>	<u>59,610,989</u>
Finance and administration			
Department of Administration			
Building Official Admin	3,280,659	1,139,826	2,140,833
Commission for Women	22,944	9,417	13,527
Construction Education Account	228,697	136,297	92,400
Director's Office	894,316	682,273	212,043
Emergency Fund	279,841	-	279,841
General Fund Salary Adjustment	27,115,096	17,759,367	9,355,729
Graffiti Reward Fund	16,604	-	16,604
Grants Office	697,379	459,064	238,315
Hearings and Appeals	5,094,286	4,881,158	213,128
Judicial College/Juvenile and Family Justice	225,000	225,000	-
Nevada State Library	5,201,711	4,646,815	554,896
Nevada State Library Cooperative	472,257	268,784	203,473
NSLA - IPS Equipment/Software	66,703	10,118	56,585
Public Works Division	357,091	323,067	34,024
Public Works Division Administration	939,411	928,165	11,246
Public Works Inspection	6,613,039	4,863,734	1,749,305
Public Works Retention Payment	4,116	-	4,116
Roof Maintenance Reserve	574,768	13,000	561,768
State Archives	1,568,582	1,431,930	136,652
State Claims	1,761,451	962,915	798,536
State Unemployment Compensation	2,330,004	1,526,189	803,815
Statutory Contingency	2,947,586	2,319,232	628,354
Unbudgeted Activity	-	864,310	(864,310)
Department of Taxation			
Department of Taxation	75,366,051	68,983,966	6,382,085
	<u>136,057,592</u>	<u>112,434,627</u>	<u>23,622,965</u>
Education - K to 12			
Department of Education			
Account for Alternative Schools	14,460,226	2,841,982	11,618,244
Account for Health Education of Minors	567	565	2
Achievement School District	194,861	130,495	64,366
Anti-Bullying Gift Fund	59,103	5,303	53,800
Anti Bullying Grants	45,000	40,847	4,153
Assessments and Accountability	25,200,206	18,624,950	6,575,256
Career and Technical Education	15,961,096	12,618,952	3,342,144
Contingency Account for Special Education	2,000,000	114,426	1,885,574
Continuing Education	7,263,659	6,735,880	527,779
Data Systems Management	2,850,541	2,523,645	326,896
Department Support Services	3,549,451	2,952,002	597,449
Distributive School Account	1,621,051,564	1,617,520,370	3,531,194
District Support Services	1,486,307	1,393,708	92,599
Education Technology Trust	67	67	-
Educational Trust Fund	613,574	17,409	596,165
Educator Effectiveness	18,291,618	12,584,099	5,707,519
Educator Licensure	4,239,984	2,280,216	1,959,768
Gear Up	5,356,776	3,100,096	2,256,680
Gear Up Scholarship Trust	7,435,496	327,842	7,107,654
Incentives for Licensed Educational Personnel	1,000,000	506,392	493,608
Individuals with Disabilities (IDEA)	103,035,524	86,229,149	16,806,375
Instruction in Financial Liter	1,000,000	479,852	520,148
Literacy Programs	295,702	280,121	15,581
New NV Education Funding Plan	36,065,426	35,918,709	146,717
Office of Early Learning & Development	29,302,201	22,508,595	6,793,606
Office of the Superintendent	1,781,838	1,671,668	110,170

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis

All General Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
Other State Education Programs	80,994,115	73,707,706	7,286,409
Parent Involve & Family Engage	130,703	102,392	28,311
Professional Development Program	14,385,282	10,787,341	3,597,941
Public Charter School Loan Program	839,296	198,000	641,296
Safe and Respect Learning	9,617,317	5,570,231	4,047,086
School Remediation	126,453,080	108,182,277	18,270,803
Standards and Instructional Support	3,008,290	2,763,145	245,145
State Supplemental School Support	185,056,000	180,468,823	4,587,177
Student and School Support	211,887,079	150,511,908	61,375,171
Student Indemnification Account	364,171	-	364,171
Teach NV Scholarship Program	3,607,126	910,699	2,696,427
Teacher's School Supplies Reimbursement	3,124,785	2,507,084	617,701
Commission on Postsecondary Education	494,064	460,419	33,645
State Public Charter School Authority	17,827,505	11,676,276	6,151,229
	2,560,329,600	2,379,253,641	181,075,959
Education - higher education			
Nevada System of Higher Education			
Agricultural Experiment Station	7,023,047	7,023,047	-
Anatomical Gift Account	392,591	40,000	352,591
Business Center North	2,029,238	2,029,238	-
Business Center South	1,893,131	1,893,131	-
College of Southern Nevada	143,271,950	142,158,337	1,113,613
Collegiate License Plate Account	447,097	401,171	45,926
Cooperative Extension Service	5,486,163	5,425,723	60,440
Desert Research Institute	7,818,247	7,302,621	515,626
Education for Dependent Children	51,726	3,010	48,716
Great Basin College	17,831,548	17,650,788	180,760
Intercollegiate Athletics - UNLV	7,840,730	7,840,730	-
Intercollegiate Athletics - UNR	5,388,775	5,388,775	-
Laboratory and Research	1,689,538	1,689,538	-
National Direct Student Loan Program	35,793	35,793	-
Nevada State College at Henderson	25,865,851	25,717,539	148,312
Silver State Opportunity Grant	5,000,000	4,147,254	852,746
Special Projects	4,212,088	1,832,265	2,379,823
System Computing Center	18,129,136	18,129,136	-
Truckee Meadows Community College	47,860,080	47,233,766	626,314
University of Nevada, Las Vegas	298,566,893	296,035,892	2,531,001
University of Nevada, Reno	228,849,380	226,496,622	2,352,758
University Press	428,827	428,827	-
University System Administration	4,925,278	4,922,062	3,216
UNLV Dental School	18,355,671	18,178,231	177,440
UNLV Law School	14,879,842	14,796,498	83,344
UNLV School of Medicine	23,786,825	23,240,200	546,625
UNLV Statewide Programs	3,758,818	3,758,818	-
UNR School of Medicine	43,351,503	43,232,566	118,937
UNR Statewide Programs	8,476,211	8,285,110	191,101
Western Nevada College	18,410,624	18,393,191	17,433
	966,056,601	953,709,879	12,346,722
Human services			
Director's Office			
Administration	1,739,694	1,595,004	144,690
Consumer Health Assistance	1,492,339	1,358,000	134,339
Developmental Disabilities	934,949	776,775	158,174
DHR Children's Trust Account	1,342,638	704,051	638,587
Grants Management Unit	30,458,267	26,183,751	4,274,516
Grief Support Trust Account	67,179	13,000	54,179
IDEA Part C Compliance	3,997,159	3,959,603	37,556
Prevention/Treatment of Problem Gambling	1,918,217	1,325,741	592,476
Public Defender	3,340,132	2,964,271	375,861
UPL Holding Account	11,124,793	7,774,796	3,349,997
Victims of Human Trafficking	151,137	16,416	134,721
Aging and Disability Services Division			
Aging Federal Programs and Administration	30,775,665	26,259,735	4,515,930

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Desert Regional Center	140,372,632	128,611,268	11,761,364
Early Intervention Services	41,246,841	36,241,853	5,004,988
Family Preservation Program	2,836,416	2,829,618	6,798
Home and Community Based Service	40,661,172	36,310,928	4,350,244
Rural Regional Center	20,088,221	19,033,952	1,054,269
Sierra Regional Center	48,937,464	42,576,251	6,361,213
Division of Health Care Financing and Policy			
Health Care Financing and Policy	204,124,963	174,634,535	29,490,428
Increased Quality of Nursing Care	37,626,871	35,104,504	2,522,367
Intergovernmental Transfer Program	197,272,371	160,227,772	37,044,599
Nevada Check-Up Program	55,373,758	52,370,639	3,003,119
Nevada Medicaid	3,989,274,154	3,770,749,122	218,525,032
Division of Public and Behavioral Health			
Alcohol Tax Program	1,229,405	1,164,767	64,638
Behavioral Health Administration	5,603,963	3,610,016	1,993,947
Behavioral Health Prevention & Treatment	48,158,849	34,678,286	13,480,563
Biostatistics and Epidemiology	9,337,550	6,955,856	2,381,694
Cancer Control Registry	810,547	555,120	255,427
Child Care Services	1,792,447	1,461,174	331,273
Chronic Disease	10,818,060	9,861,072	956,988
Communicable Diseases	34,980,852	24,300,820	10,680,032
Community Health Services	3,913,163	2,961,202	951,961
Consumer Protection	2,352,977	1,666,667	686,310
Emergency Medical Services	946,517	731,859	214,658
Facility for the Mental Offender	11,846,680	11,637,985	208,695
Health Care Facility Reg	22,587,527	12,096,287	10,491,240
Health Facilities-Admin Penalty	140,608	375	140,233
Health Statistics and Planning	3,398,453	1,453,194	1,945,259
Immunization Program	7,196,415	6,463,141	733,274
Marijuana Health Registry	3,665,895	1,004,471	2,661,424
Maternal Child Health Services	8,923,123	8,042,891	880,232
No NV Adult Mental Health Services	31,029,343	26,336,156	4,693,187
Office of State Health Administration	10,218,064	8,478,863	1,739,201
Public Health Preparedness Program	12,746,893	10,201,997	2,544,896
Radiation Control Program	5,073,828	3,092,899	1,980,929
Rural Clinics	14,984,509	13,728,662	1,255,847
So NV Adult Mental Health Services	88,734,214	81,279,577	7,454,637
WIC Food Supplement	72,139,151	62,024,893	10,114,258
Division of Welfare and Supportive Services			
Assistance to Aged and Blind	10,143,633	10,125,000	18,633
Child Care Assistance and Development	59,860,452	54,250,818	5,609,634
Child Support Enforcement Program	47,443,753	18,571,673	28,872,080
Child Support Federal Reimbursement	28,718,516	25,015,342	3,703,174
Energy Assistance - Welfare	26,374,861	19,925,761	6,449,100
Temp Assistance for Needy Families	44,429,470	42,039,870	2,389,600
Welfare Administration	63,466,589	47,790,573	15,676,016
Welfare Field Services	119,128,259	113,125,584	6,002,675
Division of Child and Family Services			
Caliente Youth Center	9,566,801	8,715,273	851,528
Children, Youth and Family Administration	43,463,119	34,393,014	9,070,105
Clark County Child Welfare	111,125,407	108,225,643	2,899,764
Community Juvenile Justice Programs	4,710,246	4,418,256	291,990
Farm Account - Youth Training Center	7,150	-	7,150
Juvenile Correctional Facility	7,677,832	7,440,235	237,597
Nevada Youth Training Center	8,946,131	7,964,580	981,551
No NV Child and Adolescent Services	9,345,064	8,526,743	818,321
Normalcy for Youth Gift	1,000	-	1,000
Review of Death of Children	557,456	129,397	428,059
Rural Child Welfare	21,278,446	18,851,561	2,426,885
So NV Child and Adolescent Services	30,053,106	28,109,500	1,943,606
Transition from Foster Care	2,023,268	1,429,415	593,853
UNITY/SACWIS	7,230,213	7,055,003	175,210
Victims of Domestic Violence	4,778,528	3,336,433	1,442,095
Washoe County Integration	35,720,443	35,388,402	332,041
Youth Alternative Placement	4,335,793	4,335,793	-
Youth Parole Services	6,555,982	5,994,033	561,949

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis

All General Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
Department of Employment, Training and Rehabilitation			
Blind Business Enterprise Program	5,083,549	1,642,352	3,441,197
DETR Administrative Services	5,448,613	4,677,975	770,638
Disability Adjudication	19,988,034	16,136,042	3,851,992
Information Development and Processing	17,029,016	11,699,148	5,329,868
Nevada Equal Rights Commission	1,928,609	1,855,776	72,833
Rehabilitation Administration	1,394,777	1,105,227	289,550
Research and Analysis	2,730,953	2,327,510	403,443
Services to the Blind	3,800,558	2,585,177	1,215,381
Vocational Rehabilitation	24,666,193	19,273,160	5,393,033
	<u>6,066,797,885</u>	<u>5,541,870,084</u>	<u>524,927,801</u>
Commerce and industry			
Office of Economic Development			
GOED Nevada Knowledge Fund	9,114,120	5,711,880	3,402,240
Governor's Office of Economic Development	8,834,388	8,418,494	415,894
Motion Pictures	816,132	700,205	115,927
Nevada Catalyst Fund	6,024,429	1,421,607	4,602,822
Nevada Main Street Program	350,000	67,023	282,977
NV SSBCI Program	9,846,553	2,296,790	7,549,763
Rural Community Development	2,793,273	1,658,956	1,134,317
Small Business and Procurement	725,789	655,896	69,893
Small Business Enterprise Loan	1,000,000	500,000	500,000
WINN	4,023,358	394,424	3,628,934
Commission on Mineral Resources			
Bond Reclamation	4,599,708	367,086	4,232,622
Minerals	3,970,454	2,602,529	1,367,925
Department of Agriculture			
Agriculture Administration	2,646,327	2,547,666	98,661
Agriculture License Plates	33,731	5,373	28,358
Agricultural Registration/Enforcement	6,287,235	3,384,146	2,903,089
Agriculture Research and Promotion	111,261	-	111,261
Commercial Feed Account	42,017	2,696	39,321
Commodity Food Program	19,639,327	13,505,189	6,134,138
Consumer Equitability	3,529,650	2,426,966	1,102,684
Junior Agricultural Loan Program	4,645	-	4,645
Livestock Enforcement	394,671	330,072	64,599
Livestock Inspection	1,670,001	1,276,300	393,701
Nevada Beef Council	300,615	285,915	14,700
Nutrition Education Programs	188,786,970	167,377,577	21,409,393
Pest, Plant Disease and Noxious Weed	1,538,220	1,194,360	343,860
Plant Health and Quarantine Services	1,199,565	885,345	314,220
Predatory Animal and Rodent Control	812,422	796,929	15,493
Rangeland Resources Commission	280,082	146,212	133,870
Veterinary Medical Services	1,355,277	1,188,084	167,193
Weed Abatement and Control	105,524	-	105,524
Department of Tourism and Cultural Affairs			
Governor's Portrait Fund	25,000	24,945	55
Indian Commission	430,068	389,915	40,153
Lost City Museum	494,734	437,391	57,343
Museums and History Administration	936,541	496,391	440,150
Nevada Arts Council	2,739,062	2,480,804	258,258
Nevada Historical Society	633,402	540,099	93,303
Nevada Humanities	100,000	100,000	-
Nevada State Museum	1,900,286	1,798,234	102,052
Nevada State Museum, Las Vegas	2,130,724	2,010,186	120,538
State Railroad Museums	1,810,333	1,435,454	374,879
Stewart Indian School Living Legacy	329,943	182,667	147,276
Gaming Control Board			
Federal Forfeiture Treasury	6,225,707	153,881	6,071,826
Gaming Commission	640,189	574,471	65,718
Gaming Control Board	45,854,903	42,505,725	3,349,178
Gaming Control Federal Forfeiture	4,358,909	-	4,358,909
Gaming Control - Forfeiture Account	562,904	9,054	553,850
Gaming Control - Other State Forfeiture	500,440	-	500,440

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Business and Industry			
Athletic Commission	3,237,957	1,300,676	1,937,281
Attorney for Injured Workers	3,617,815	3,572,216	45,599
Business and Industry Administration	5,135,310	4,799,717	335,593
Common Interest Communities	4,202,674	2,225,516	1,977,158
Division of Mortgage Lending	11,172,563	2,578,899	8,593,664
DOE Weatherization	8,080,341	5,714,793	2,365,548
Employee Management Relations	1,230,782	401,524	829,258
Financial Institutions	6,252,999	3,465,114	2,787,885
Financial Institutions Audit	243,123	116,013	127,110
Financial Institutions Investigations	1,439,192	69,398	1,369,794
Housing Inspection and Comp	4,298,304	2,562,516	1,735,788
Industrial Development Bonds	1,148,324	17,888	1,130,436
Labor Relations	1,832,740	1,728,891	103,849
Low Income Housing Trust Fund	29,001,796	8,163,664	20,838,132
Nevada Transportation Authority	5,419,328	4,531,889	887,439
NVTA Administrative Fines	1,041,016	96,339	944,677
Office of Business and Planning	471,828	313,285	158,543
Real Estate	4,099,207	3,786,192	313,015
Special Housing Assistance	2,868,297	375,985	2,492,312
	<u>445,302,485</u>	<u>319,107,452</u>	<u>126,195,033</u>
Public safety			
Department of Corrections			
AB505 79th One-shot	6,525,233	227,405	6,297,828
Carlin Conservation Camp	1,271,806	1,231,664	40,142
Casa Grande Transitional Housing	4,647,409	4,487,474	159,935
Correctional Programs	10,206,575	9,157,235	1,049,340
Director's Office	34,101,804	32,186,298	1,915,506
Ely Conservation Camp	1,322,233	1,263,942	58,291
Ely State Prison	28,794,071	28,581,957	212,114
Endowment Fund Historical Preservation of NSP	52,534	-	52,534
Florence McClure Women's Correctional Center	16,428,099	16,136,129	291,970
High Desert State Prison	54,159,599	53,562,480	597,119
Humboldt Conservation Camp	1,360,476	1,328,137	32,339
Jean Conservation Camp	1,651,462	1,580,843	70,619
Lovelock Correctional Center	25,157,707	25,021,022	136,685
Nevada State Prison	94,314	88,707	5,607
No Nevada Correctional Center	30,133,989	29,558,571	575,418
No. Nevada Transitional Housing	1,462,158	1,451,486	10,672
Pioche Conservation Camp	1,739,076	1,618,786	120,290
Prison Medical Care	49,803,250	49,430,518	372,732
Silver Springs Conservation Camp	3,616	3,616	-
Stewart Conservation Camp	2,007,294	1,889,638	117,656
So Nevada Correctional Center	226,849	222,226	4,623
Southern Desert Correctional Center	26,018,856	25,642,150	376,706
Three Lakes Valley Conservation Camp	2,712,406	2,675,752	36,654
Tonopah Conservation Camp	1,310,783	1,291,420	19,363
Warm Springs Correctional Center	11,457,005	11,329,857	127,148
Wells Conservation Camp	1,427,555	1,362,378	65,177
Department of Public Safety			
Child Volunteer Background Checks Trust	15,087	15,087	-
Cigarette Fire Safety Standard	128,691	57,867	70,824
Contingency Account for Haz Mat	1,012,784	306,591	706,193
Criminal History Repository	33,617,651	17,092,455	16,525,196
Dignitary Protection	1,093,853	854,576	239,277
Disaster Response and Recovery Account	22,934,629	4,287,805	18,646,824
Emergency Assistance Subaccount	318,911	210,692	108,219
Emergency Management Assistance Grant	15,608,687	11,887,167	3,721,520
Emergency Management Division	8,249,458	5,885,861	2,363,597
Fire Marshal	3,619,489	3,429,362	190,127
Forfeitures	878,326	525,673	352,653
Fund for Reentry Programs	5,000	-	5,000
Highway Safety Plan and Administration	4,471,824	3,038,361	1,433,463
Investigations	9,774,400	7,545,245	2,229,155

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis

All General Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
Justice Assistance Account	7,251,398	2,631,203	4,620,195
Justice Assistance Grant	3,742,540	1,840,215	1,902,325
Justice Grant	518,964	429,511	89,453
K-9 Program	36,510	32,227	4,283
Motorcycle Safety Program	936,050	448,752	487,298
Office of Homeland Security	457,681	441,323	16,358
Parole and Probation	60,547,218	56,860,820	3,686,398
Parole Board	2,898,060	2,855,302	42,758
RCCD Communications Bureau	6,500,581	5,564,072	936,509
Traffic Safety	13,614,532	6,380,436	7,234,096
Training Division	2,104,899	1,767,071	337,828
Department of Motor Vehicles			
Motor Vehicle Pollution Control	13,240,020	10,718,859	2,521,161
Peace Officers Standards and Training	2,656,088	2,063,653	592,435
	530,309,490	448,499,877	81,809,613

Infrastructure

	Final Budget	Actual	Variance
Department of Wildlife			
Conservation Education	3,592,909	2,550,500	1,042,409
Diversity	2,080,629	1,861,507	219,122
Fisheries Management	9,988,109	7,870,800	2,117,309
Game Management	9,099,199	8,039,465	1,059,734
Habitat	10,627,518	9,514,861	1,112,657
Law Enforcement	7,763,382	7,360,980	402,402
Wildlife Director's Office	4,068,201	3,844,313	223,888
Wildlife Fund	38,508,847	20,478,579	18,030,268
Wildlife Habitat Enhancements	5,806,278	846,186	4,960,092
Wildlife Heritage Account	9,808,598	463,325	9,345,273
Wildlife Operations	9,546,386	8,357,911	1,188,475
Department of Conservation and Natural Resources			
AB9/Q1 Bonds	9,692,474	3,798,563	5,893,911
Adjudication Emergency	16,000	-	16,000
Air Quality	9,216,521	7,028,816	2,187,705
Air Quality Management Account	9,572,348	3,292,109	6,280,239
Amargosa Valley Ground Water	33,518	8,499	25,019
Antelope Valley Ground Water Basin	25,124	17,948	7,176
Antelope Valley Water Basin 106	7,491	1,157	6,334
Big Smokey Valley Ground Water	19,070	3,181	15,889
Black Mountain Area Ground Water Basin	4,204	696	3,508
Boulder Flat Ground Water	146,108	104,013	42,095
Buena Vista Valley Water Basin	8,579	1,253	7,326
Bureau of Waste Management and Corrective Actions	15,173,387	10,183,675	4,989,712
Bureau of Water	7,777,426	3,415,574	4,361,852
Carico Lake Valley Ground Water	2,990	2,190	800
Carson Desert Water Basin	10,846	1,395	9,451
Carson Valley Ground Water	118,474	20,682	97,792
Channel Clearance	322,890	51,964	270,926
Chemical Hazard Prevention	1,791,189	546,816	1,244,373
Churchill Valley Ground Water	28,637	1,658	26,979
Clover Valley Ground Water Basin	4,547	767	3,780
Clovers Area Groundwater	40,481	26,435	14,046
Cold Springs Valley	31,958	6,575	25,383
Colorado River Valley	16,521	5,016	11,505
Comstock Historic District	193,968	189,136	4,832
Comstock Historical District Gifts	22,324	2,859	19,465
Conservation Districts	641,082	540,886	100,196
Conservation and Natural Resources Gift	293,230	40,062	253,168
Coyote Springs Groundwater Basin	39,306	11,999	27,307
Crescent Water Groundwater	55,227	41,078	14,149
Cultural Resource Program	867,538	591,973	275,565
Currant Creek	3,519	337	3,182
Dayton Valley Ground Water	51,833	3,232	48,601
Dep Industrial Site Cleanup	6,696,388	3,126,766	3,569,622
Desert Valley Water Basin	14,492	1,912	12,580
Diamond Valley Ground Water	146,477	22,588	123,889

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Dixie Creek/10 Mi Ground Water	23,172	14,424	8,748
Duckwater Creek	47,302	11,958	35,344
Eagle Valley	110,882	21,571	89,311
Elko Segment Water Basin	18,643	13,563	5,080
Environmental Protection Administration	7,995,227	6,678,184	1,317,043
Fernley Area Water Basin	10,382	1,045	9,337
Fish Lake Valley Artesian	33,092	6,568	26,524
Flood Control Revenue Fund	250,000	-	250,000
Forest Fire Suppression/Emergency Response	24,295,686	16,444,644	7,851,042
Forestry	18,460,443	10,488,054	7,972,389
Forestry Conservation Camps	9,793,766	7,938,478	1,855,288
Garnet Valley Ground Water Basin	4,206	696	3,510
Goshute Valley Ground Water Basin	4,514	770	3,744
Grass Valley Hydrographic Basin	25,158	18,998	6,160
Groundwater Recharge Projects	212,884	38,133	174,751
Hazardous Waste - Beatty Site	11,865,687	-	11,865,687
Hazardous Waste Management	23,525,761	4,530,120	18,995,641
Historic Preservation and Archives	1,519,190	1,318,888	200,302
Honey Lake Valley	23,777	7,156	16,621
Hualapai Flat Ground Water Basin	12,115	1,348	10,767
Humboldt Water District	338,258	221,915	116,343
Huntington Valley Water Basin	7,181	5,296	1,885
Imlay Ground Water	8,775	5,685	3,090
Indian Springs Valley Ground Water	4,140	696	3,444
Interim Fluid Management Trust	1,314,452	-	1,314,452
Kelly Creek Ground Water	43,335	30,467	12,868
Kings River Valley Water Basin	20,020	2,160	17,860
Kingston Creek	8,096	2,594	5,502
Kobeh Valley Groundwater Basin	21,820	3,179	18,641
Lake Tahoe Water Basin	18,227	668	17,559
Lake Valley Ground Water Basin	55,002	13,342	41,660
Lamoille Valley Water Basin	6,255	4,550	1,705
Las Vegas Basin Water District	6,264,161	1,871,835	4,392,326
Lemmon Valley	73,599	5,030	68,569
Little Humboldt River	98,466	40,725	57,741
Little Humboldt Valley Ground Water	7,274	5,255	2,019
Lovelock & Oreana Sub-area Ground Water	11,443	121	11,322
Lower Moapa Valley Groundwater	16,062	608	15,454
Lower Reese River Valley	27,929	18,745	9,184
Maggie Creek	64,666	46,707	17,959
Maintenance of State Parks	4,329,742	688,766	3,640,976
Mary's Creek Area Water Basin	3,499	2,087	1,412
Mary's River Water Basin	18,338	13,709	4,629
Mason Valley Ground Water	210,271	64,023	146,248
Mesquite Valley (Sandy Valley)	8,477	1,069	7,408
Middle Reese River Ground Water Basin	41,081	28,728	12,353
Mining Regulation/Reclamation	6,693,279	3,384,763	3,308,516
Muddy River Springs	10,343	3,846	6,497
Muddy River Surface Water	46,124	14,425	31,699
Natural Resources Administration	1,719,183	1,707,444	11,739
Nevada Natural Heritage	1,134,701	950,311	184,390
Nevada Tahoe Regional Planning Agency	1,319	610	709
North Fork Ground Water	17,340	11,295	6,045
NV State Parks/Cultural Resources Endowment	510,000	-	510,000
Off-highway Vehicle Commission	3,896,417	562,852	3,333,565
Pahrnagat Lake	115,814	45,640	70,174
Pahrnagat Valley Ground Water Basin	8,418	1,495	6,923
Pahrump Artesian Basin	247,324	24,679	222,645
Panaca Valley Groundwater	8,961	1,370	7,591
Paradise Valley Ground Water	86,923	66,058	20,865
Parks Federal Grant Programs	8,297,480	2,077,502	6,219,978
Penoyer Valley Groundwater	10,689	1,627	9,062
Pine Forest Valley Water Basin	16,534	2,565	13,969
Pine Valley Water Basin	11,242	8,569	2,673
Pleasant Valley	16,955	3,402	13,553
Public Water System Fund	1,860,617	549,550	1,311,067

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis

All General Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
Pumpnickel Valley Ground Water	12,635	9,385	3,250
Q1 2017/SB546 2017C Bond	4,845,000	289,953	4,555,047
Quinn River Distribution	70,138	19,613	50,525
Quinn River Valley Water Basin	35,042	3,802	31,240
Reclamation Surety Account	46,570,889	30,481	46,540,408
Rock Creek Valley Ground Water	1,685	1,233	452
Safe Drinking Water Regulatory Program	5,078,962	4,057,151	1,021,811
Sagebrush Ecosystem Account	2,305,546	373,750	1,931,796
San Emidio Desert Ground Water Basin	12,513	4,939	7,574
Silver State Valley Water Basin	11,678	1,452	10,226
Smith Valley Artesian Basin	79,395	20,989	58,406
Spanish Springs Valley Water Basin	14,623	1,337	13,286
Starr Valley Ground Water Basin	2,505	1,804	701
State Engineer Revenue	249,412	111,616	137,796
State Environmental Commission	119,156	67,510	51,646
State Lands	1,879,820	1,727,659	152,161
State Lands Revolving Account	265,398	12,920	252,478
State Parks	23,073,401	16,660,458	6,412,943
State Parks Facility and Grounds Maintenance	14,945,568	467,777	14,477,791
State Parks Interpretive and Educational Program	1,334,917	728,170	606,747
Steptoe Valley Water Basin	41,117	4,197	36,920
Storage Tank Management	339,984	-	339,984
Tahoe Bond Sale	877,191	42,539	834,652
Tahoe License Plates	2,428,914	313,439	2,115,475
Tahoe Mitigation	3,239,246	1,305,188	1,934,058
Tahoe Regional Planning Agency	14,540,645	2,220,657	12,319,988
Tracy Segment Water Basin	11,272	1,337	9,935
Truckee Cyn Segment Water Basin	10,642	668	9,974
Truckee Meadows/Sun Valley	186,327	11,278	175,049
Upper Reese River Valley Water Basin	5,775	4,181	1,594
Upper White River	10,099	2,301	7,798
USGS Co-Op	733,898	470,538	263,360
Warm Springs Ground Water	42,872	8,249	34,623
Warm Springs/Winnemucca Creek	23,239	2,218	21,021
Washoe Valley Ground Water	28,264	1,631	26,633
Water District Revenue Fund	30,000	-	30,000
Water Planning - Capital Improvement	36,992	7,885	29,107
Water Quality Planning	6,565,960	3,090,549	3,475,411
Water Resources	8,685,732	7,973,986	711,746
Water Resources Cooperative Project	1,812,914	597,722	1,215,192
Water Resources Legal Cost	2,156,358	52,735	2,103,623
Water Right Surveyors	51,829	14,415	37,414
Water Studies	277,000	-	277,000
Well Driller's Licenses	67,593	10,952	56,641
Whirlwind Valley	26,410	18,669	7,741
White River Valley Basin	3,982	644	3,338
Wildland Fire Protection Program	4,788,189	2,824,015	1,964,174
Willow Creek Valley Ground Water	4,300	3,150	1,150
Winnemucca Segment Water Basin	26,958	20,087	6,871
	457,900,327	207,906,027	249,994,300

Special purpose agencies

Department of Veterans' Services

Cemetery Gifts and Donations	237,639	196,376	41,263
Department of Veterans' Services	4,325,139	3,804,312	520,827
Fallen Soldier Gift Fund	451,200	200,930	250,270
General Veterans' Services - Fees	1,933,018	766,568	1,166,450
Gift Account for Veterans' Home - So Nevada	74,525	24,879	49,646
Northern Nevada Veterans	226,588	154,364	72,224
Veterans' Home Account	27,521,956	19,977,338	7,544,618
Veterans' Home Gift Fund	11,102	-	11,102
Veterans' Memorial Gift Account	8,930	-	8,930
Office of the Military			
Adjutant General Special Facilities Account	48,696	-	48,696
Military	24,273,266	17,678,239	6,595,027

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Military Emergency Operations Center	601,784	380,709	221,075
Military State Active Duty	600,000	555,290	44,710
National Guard Benefits	57,824	57,818	6
Patriot Relief Account	142,608	102,499	40,109
Silver State Health Insurance Exchange Admin	28,179,743	13,039,727	15,140,016
Deferred Compensation Committee	449,263	380,141	69,122
Civil Air Patrol	72,149	39,780	32,369
Public Employees' Benefits Program			
Non-State Retirees' Rate Mitigation	2,582,707	2,582,707	-
	<u>91,798,137</u>	<u>59,941,677</u>	<u>31,856,460</u>
Appropriated Transfers to Other Funds			
Attorney General Special Fund	668,259	668,259	-
Highway Fund	154,370	154,370	-
Internal Service Funds	95,010	95,010	-
Legislative Fund	33,730,862	33,730,862	-
	<u>34,648,501</u>	<u>34,648,501</u>	<u>-</u>
Reversions to Other Funds			
Reversion to Enterprise Funds	-	656,397	(656,397)
Reversion to Internal Service Funds	-	5,301	(5,301)
Reversion to Special Revenue Funds	-	387,777	(387,777)
	<u>-</u>	<u>1,049,475</u>	<u>(1,049,475)</u>
Projected reversions			
	(50,000,000)	-	(50,000,000)
Total General Fund	<u>\$ 11,587,315,984</u>	<u>\$ 10,295,169,033</u>	<u>\$ 1,292,146,951</u>

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis
All Special Revenue Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
State Highway			
Infrastructure			
AB 595 Revenue Clark Co.	\$ 72,038,081	\$ 46,476,859	\$ 25,561,222
AB 595 Revenue Rental Car Tax	3,072	-	3,072
AB 595 Revenue Washoe Co.	11,664,924	11,341,167	323,757
Aviation Trust Fund	227,790	73,757	154,033
Bond Construction	332,902,515	220,995,637	111,906,878
NDOT - SB 5 RTC Public Road Project	19,164,212	1,325,437	17,838,775
NDOT Fuel Revenue Indexing Clark	5,000,000	-	5,000,000
System of Providing Information to the Traveling Public	598,515	233,878	364,637
Transportation Administration	838,175,456	716,453,044	121,722,412
Unbudgeted Activity	-	676,456	(676,456)
Public Safety			
Director's Office - Public Safety	3,300,180	2,872,492	427,688
Emergency Response Commission	3,120,359	1,168,969	1,951,390
Evidence Vault	643,351	612,258	31,093
Highway Patrol	75,274,128	71,598,095	3,676,033
Office of Cyber Defense	398,870	398,870	-
One Shot Account	10,135,767	5,512,256	4,623,511
Professional Responsibility	817,862	762,055	55,807
PS Highway Safety Grants Account	4,173,458	2,213,951	1,959,507
Motor Vehicles			
Admin Off Highway Vehicle Titling and Registration	1,384,046	1,222,147	161,899
Administrative Services	16,135,989	14,847,563	1,288,426
Assistance of Off Highway Vehicle Titling	26,825	-	26,825
Central Services	11,436,393	10,555,937	880,456
Compliance Enforcement	5,124,334	4,585,418	538,916
Director's Office	4,717,203	4,574,123	143,080
Field Services	55,607,672	47,989,363	7,618,309
Forfeitures	208	-	208
Hearings	1,249,134	1,213,038	36,096
License Plate Factory	7,195,843	3,832,057	3,363,786
Local Fuel Tax Indexing Fund	127,175	2,458	124,717
Management Services	1,518,761	1,451,711	67,050
Motor Carrier	4,597,335	4,232,409	364,926
Motor Vehicle Information Technology	11,964,521	9,215,187	2,749,334
Records Search	9,523,354	9,411,599	111,755
Salvage Titles Trust Account	473,765	180,435	293,330
Special Fuel Ind Reimb Clark	4,474,833	3,762,451	712,382
Special Plates Trust Account	2,668,361	625,370	2,042,991
System Modernization	24,937,681	6,877,510	18,060,171
Verification of Insurance	2,744,651	2,196,713	547,938
Transfers to Other Funds			
Appropriations to Other Funds	9,543,053	9,543,053	-
Debt Service	74,524,218	74,524,218	-
Projected Reversions	(125,378,816)	-	(125,378,816)
	<u>1,502,235,079</u>	<u>1,293,557,941</u>	<u>208,677,138</u>
Municipal Bond Bank			
Transfers to Other Funds			
Debt Service	7,663,634	7,663,585	49
	<u>7,663,634</u>	<u>7,663,585</u>	<u>49</u>
Employment Security			
Human Services			
Employment Security Special Fund	9,419,346	1,904,989	7,514,357
Unemployment Insurance	31,460,405	29,550,940	1,909,465
Workforce Development	75,251,602	56,240,911	19,010,691
	<u>116,131,353</u>	<u>87,696,840</u>	<u>28,434,513</u>
Unemployment Comp Bond Fund			
Elected Officials			
Unemployment Comp Bond Account	200,016,575	86,013,198	114,003,377
	<u>200,016,575</u>	<u>86,013,198</u>	<u>114,003,377</u>

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Regulatory			
Commerce and Industry			
Real Estate Education and Research	1,132,127	570,441	561,686
Real Estate Recovery Account	883,030	579,919	303,111
Regulatory Fund	15,397,591	11,911,647	3,485,944
Administrative Fines	431,773	431,773	-
Taxicab Authority	11,792,846	5,580,766	6,212,080
Dairy Commission	1,985,048	1,055,225	929,823
	<u>31,622,415</u>	<u>20,129,771</u>	<u>11,492,644</u>
Higher Education Capital Construction			
Finance and Administration			
Higher Education Capital Construction	5,000,000	5,000,000	-
Higher Education Special Construction	6,513,997	6,513,997	-
	<u>11,513,997</u>	<u>11,513,997</u>	<u>-</u>
Cleaning Up Petroleum Discharges			
Infrastructure			
Petroleum Clean-Up Trust Fund	21,750,000	15,061,301	6,688,699
	<u>21,750,000</u>	<u>15,061,301</u>	<u>6,688,699</u>
Hospital Care to Indigent Persons			
Finance and Administration			
Indigent Hospital Care	54,427,497	30,869,208	23,558,289
	<u>54,427,497</u>	<u>30,869,208</u>	<u>23,558,289</u>
Tourism Promotion			
Commerce and Industry			
Division of Tourism	32,235,947	25,303,024	6,932,923
Tourism Development	112,498	2,600	109,898
	<u>32,348,445</u>	<u>25,305,624</u>	<u>7,042,821</u>
Offender's Store			
Public Safety			
Inmate Welfare Account	7,670,460	6,651,019	1,019,441
Offenders' Store Fund	32,903,147	19,987,075	12,916,072
	<u>40,573,607</u>	<u>26,638,094</u>	<u>13,935,513</u>
Tobacco Settlement			
Elected Officials			
Guinn Memorial Millennium Scholarship Fund	427,746	9,000	418,746
MSA Compliance Administration	818,187	591,519	226,668
Millennium Scholarship Fund	52,858,267	34,500,837	18,357,430
Millennium Scholarship Administration	370,922	328,146	42,776
Trust Fund for Healthy Nevada	56,432,698	21,300,407	35,132,291
Human Services			
Senior RX and Disability RX	2,464,400	2,282,501	181,899
Tobacco Settlement Program	5,943,500	5,729,375	214,125
	<u>119,315,720</u>	<u>64,741,785</u>	<u>54,573,935</u>
Attorney General Settlement			
Public Safety			
National Settlement Administration	26,692,767	5,083,631	21,609,136
	<u>26,692,767</u>	<u>5,083,631</u>	<u>21,609,136</u>
Gift			
Education			
Education Gift Fund	35,051	-	35,051
Library and Archives Gift Fund	548,655	77,591	471,064
Human Services			
Aging Services Gift Account	66,040	1,915	64,125
Blind Gift Fund	452,777	-	452,777

Schedule of Total Uses - Budget and Actual , Non-GAAP Budgetary Basis
All Special Revenue Fund Budgets

For the Fiscal Year Ended June 30, 2018

	Final Budget	Actual	Variance
CBS Washoe Gift Fund	10,849	-	10,849
CYC Gift Fund	1,678	-	1,678
DRC Gift Fund	6,331	-	6,331
Henry Woods Christmas Fund	1,883	735	1,148
Hospital Gift Fund	243,246	154	243,092
Indian Commission Gift Account	44,437	4,708	39,729
NV Equal Rights Commission Gift Fund	5,331	1,694	3,637
Nevada Children's Gift Account	579,990	19,610	560,380
Public Health Gift Fund	57,581	37,699	19,882
Rehabilitation Gift Fund	17,054	-	17,054
Rural Services Gift Account	12,817	-	12,817
SNAMHS Gift Fund	29,426	-	29,426
SRC Gift Fund	11,000	-	11,000
Welfare Gift Fund	9,887	-	9,887
Youth Training Center Gift Fund	31,151	140	31,011
Infrastructure			
Park Gift and Grants	294,277	26,556	267,721
Wildlife Trust Account	1,258,946	528,585	730,361
	<u>3,718,407</u>	<u>699,387</u>	<u>3,019,020</u>
Natural Resources			
Infrastructure			
Erosion Control Bond Q12	317,532	2,500	315,032
Grants To Water Purveyors	1,337,249	293,785	1,043,464
Lake Tahoe 2016D Bonds	1,530,000	729,051	800,949
Protect Lake Tahoe	3,785,906	2,221,064	1,564,842
Tahoe 2017/SB546 2017B Bond	2,560,200	-	2,560,200
Water Grants 2017/SB546 2017B Bond	1,026,120	-	1,026,120
	<u>10,557,007</u>	<u>3,246,400</u>	<u>7,310,607</u>
Miscellaneous			
Elected Officials			
Consumer Advocate	6,631,292	3,581,924	3,049,368
Racketeering-Prosecution Account	125	-	125
Unfair Trade Practices	750,000	33,864	716,136
Commerce and Industry			
Lost City Museum Trust	137,478	93,066	44,412
LV Museum and Historical Society Trust	104,239	47,629	56,610
Museums Administrator Trust	48,307	29,017	19,290
Museums and History Board Trust	56,070	43,090	12,980
Nevada Historical Society Trust	2,389,851	453,395	1,936,456
Nevada State Museum Trust	1,541,328	613,670	927,658
Nevada Railroad Museum Trust	389,283	210,009	179,274
Human Services			
Low Level Radioactive Waste	1,179,775	86,129	1,093,646
Finance and Administration			
Victims of Crime	17,651,167	8,908,215	8,742,952
	<u>30,878,915</u>	<u>14,100,008</u>	<u>16,778,907</u>
Legislative (Non-GAAP Fund)			
Legislative Branch			
Audit Contingency Account	397,464	345,000	52,464
Legislative Counsel Bureau	47,467,949	36,075,584	11,392,365
Nevada Legislative Interim	869,907	762,752	107,155
	<u>48,735,320</u>	<u>37,183,336</u>	<u>11,551,984</u>
Total Special Revenue	<u>\$ 2,258,180,738</u>	<u>\$ 1,729,504,106</u>	<u>\$ 528,676,632</u>



Ghost and Two Bachelors



Ghost and Chetan

Schedule of Sources - Budget and Actual, Non-GAAP Budgetary Basis
All Nonmajor Special Revenue Fund Budgets

For the Fiscal Year Ended June 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
	Employment Security			Unemployment Comp Bond Fund		
Fund balances, July 1	\$ 16,863,024	\$ 16,863,024	\$ -	\$ -	\$ -	\$ -
<i>Revenues:</i>						
Other taxes	-	-	-	199,941,575	85,964,993	(113,976,582)
Intergovernmental	74,022,218	68,924,542	(5,097,676)	-	-	-
Sales, charges for services	965,069	636,549	(328,520)	-	-	-
Licenses, fees and permits	229,430	435,308	205,878	-	-	-
Interest	117,263	290,807	173,544	75,000	48,205	(26,795)
Other	17,810,199	19,566,629	1,756,430	-	-	-
<i>Other financing sources:</i>						
Transfers	6,124,150	3,831,024	(2,293,126)	-	-	-
Total sources	\$ 116,131,353	\$ 110,547,883	\$ (5,583,470)	\$ 200,016,575	\$ 86,013,198	\$ (114,003,377)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
	Regulatory			Higher Education Capital Construction		
Fund balances, July 1	\$ 11,390,844	\$ 11,390,844	\$ -	\$ -	\$ -	\$ -
<i>Revenues:</i>						
Gaming taxes, fees, licenses	-	-	-	13,332,524	13,332,524	-
Other taxes	11,392,001	11,415,161	23,160	-	-	-
Intergovernmental	658,953	727,996	69,043	-	-	-
Sales, charges for services	4,197,568	3,712,494	(485,074)	-	-	-
Licenses, fees and permits	2,513,212	2,271,002	(242,210)	-	-	-
Interest	23,895	104,868	80,973	-	-	-
Other	654,510	614,148	(40,362)	-	-	-
<i>Other financing sources:</i>						
Transfers	791,432	766,519	(24,913)	-	-	-
Total sources	\$ 31,622,415	\$ 31,003,032	\$ (619,383)	\$ 13,332,524	\$ 13,332,524	\$ -

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
	Cleaning Up Petroleum Discharges			Hospital Care to Indigent Persons		
Fund balances, July 1	\$ 7,500,000	\$ 7,500,000	\$ -	\$ 21,369,997	\$ 21,369,997	\$ -
<i>Revenues:</i>						
Other taxes	13,500,000	14,361,972	861,972	13,566,256	13,566,256	-
Intergovernmental	-	-	-	19,131,926	19,131,926	-
Licenses, fees and permits	550,000	407,400	(142,600)	-	-	-
Interest	100,000	116,929	16,929	356,318	356,317	(1)
Other	100,000	175,000	75,000	3,000	3,000	-
Total sources	\$ 21,750,000	\$ 22,561,301	\$ 811,301	\$ 54,427,497	\$ 54,427,496	\$ (1)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
	Tourism Promotion			Offenders' Store		
Fund balances, July 1	\$ 7,192,894	\$ 7,192,894	\$ -	\$ 13,655,640	\$ 13,655,640	\$ -
<i>Revenues:</i>						
Other taxes	25,012,438	24,629,235	(383,203)	-	-	-
Sales, charges for services	-	-	-	19,418,969	19,341,952	(77,017)
Licenses, fees and permits	36,580	34,610	(1,970)	-	-	-
Interest	539	1,204	665	184,369	294,795	110,426
Other	5,994	4,605	(1,389)	514,642	504,390	(10,252)
<i>Other financing sources:</i>						
Transfers	100,000	100,713	713	6,799,987	5,997,782	(802,205)
Total sources	\$ 32,348,445	\$ 31,963,261	\$ (385,184)	\$ 40,573,607	\$ 39,794,559	\$ (779,048)

(continued)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
	Tobacco Settlement			Attorney General Settlement		
Fund balances, July 1	\$ 60,071,802	\$ 60,071,802	\$ -	\$ 26,345,136	\$ 26,345,136	\$ -
<i>Revenues:</i>						
Interest	408,403	564,743	156,340	342,350	342,350	-
Other	42,456,693	42,109,555	(347,138)	5,281	5,280	(1)
<i>Other financing sources:</i>						
Transfers	16,378,822	15,940,021	(438,801)	-	-	-
Total sources	<u>\$ 119,315,720</u>	<u>\$ 118,686,121</u>	<u>\$ (629,599)</u>	<u>\$ 26,692,767</u>	<u>\$ 26,692,766</u>	<u>\$ (1)</u>

	<u>Gift</u>	<u>Natural Resources</u>				
Fund balances, July 1	\$ 2,570,290	\$ 2,496,029	\$ -	\$ 2,496,029	\$ -	
<i>Revenues:</i>						
Interest	35,102	35,742	640	250,537	70,431	(180,106)
Other	1,112,286	763,260	(349,026)	2,000	-	(2,000)
Intergovernmental	-	-	-	239,255	-	(239,255)
<i>Other financing sources:</i>						
Proceeds from sale of bonds	-	-	-	3,516,000	3,508,086	(7,914)
Transfers	729	729	-	2,538,186	729,051	(1,809,135)
Total sources	<u>\$ 3,718,407</u>	<u>\$ 3,370,021</u>	<u>\$ (348,386)</u>	<u>\$ 9,042,007</u>	<u>\$ 6,803,597</u>	<u>\$ (2,238,410)</u>

	<u>Miscellaneous</u>	<u>Legislative (Non-GAAP Fund)</u>				
Fund balances, July 1	\$ 19,210,309	\$ 19,210,309	\$ -	\$ 12,430,602	\$ 12,430,602	\$ -
<i>Revenues:</i>						
Other taxes	2,341,252	1,878,565	(462,687)	-	-	-
Intergovernmental	1,220,146	794,008	(426,138)	-	-	-
Sales, charges for services	679,381	565,671	(113,710)	760,250	434,131	(326,119)
Licenses, fees and permits	2,543,727	2,110,673	(433,054)	-	-	-
Interest	53,288	204,902	151,614	-	-	-
Other	4,115,189	2,818,826	(1,296,363)	53,508	257,429	203,921
<i>Other financing sources:</i>						
Transfers	715,623	705,244	(10,379)	35,490,960	35,342,919	(148,041)
Total sources	<u>\$ 30,878,915</u>	<u>\$ 28,288,198</u>	<u>\$ (2,590,717)</u>	<u>\$ 48,735,320</u>	<u>\$ 48,465,081</u>	<u>\$ (270,239)</u>

	Total Nonmajor Special Revenue Funds		
Fund balances, July 1	\$ 201,096,567	\$ 201,096,567	\$ -
<i>Revenues:</i>			
Gaming taxes, fees, licenses	13,332,524	13,332,524	-
Other taxes	265,753,522	151,816,182	(113,937,340)
Sales, charges for services	26,021,237	24,690,797	(1,330,440)
Intergovernmental	95,272,498	89,578,472	(5,694,026)
Licenses, fees and permits	5,872,949	5,258,993	(613,956)
Interest	1,947,064	2,431,293	484,229
Other	66,833,302	66,822,122	(11,180)
<i>Other financing sources:</i>			
Proceeds from sale of bonds	3,516,000	3,508,086	(7,914)
Transfers	68,939,889	63,414,002	(5,525,887)
Total sources	<u>\$ 748,585,552</u>	<u>\$ 621,949,038</u>	<u>\$ (126,636,514)</u>



Studley



Studley's Colt Rio



Studley, Running Sage, Rio
and Coco

Nonmajor Enterprise Funds

Workers' Compensation and Safety Records assessments on insurers for compensation of injured workers and administration of regulations for employee safety (NRS 616A.425), assesses self-insurers to pay claims against insolvent self-insured employers (NRS 616B.309), accounts for compensation benefits to physically impaired employees from a subsequent injury in the course of employment (NRS 616B.554, 616B.575, 616B.584), and accounts for injury claims of employees of uninsured employers (NRS 616A.430).

Insurance Administration and Enforcement 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 (NRS 680C.100).

Gaming Investigative Accounts for activities related to investigations of gaming license applicants (NRS 463.331).

Forestry Nurseries Accounts for the self-supporting operation of State nurseries, which propagate, maintain and distribute plants for conservation purposes (NRS 528.100).

Prison Industry Accounts for a self-supporting program of job training through the employment of inmates in farming and manufacturing (NRS 209.189).

Nevada Magazine Accounts for the operation of the publication, Nevada Magazine, which is published to promote tourism (NRS 231.290).

Marlette Lake Water System Accounts for the costs of operating the State-owned Marlette Lake Water System. The system serves the State Buildings and Grounds Division and portions of Carson City and Storey County (NRS 331.180).

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2018

	Workers' Compensation and Safety	Insurance Admin and Enforcement	Gaming Investigative	Forestry Nurseries
Assets				
<i>Current assets:</i>				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 48,097,108	\$ 4,277,584	\$ 10,612,376	\$ 963,377
Cash in custody of other officials	250	-	198,051	100
<i>Receivables:</i>				
Accounts receivable	2,967,405	1,931,286	106,230	10,814
Intergovernmental receivables	384,734	35,571	-	22,331
Due from other funds	1,169,229	31,981	2,313	41,369
Due from fiduciary funds	-	-	-	-
Inventory	-	-	-	104,397
Prepaid items	202,957	94,100	39,154	-
Total current assets	52,821,683	6,370,522	10,958,124	1,142,388
<i>Noncurrent assets:</i>				
Other assets	-	-	-	-
<i>Capital assets:</i>				
Land	-	-	-	-
Buildings	-	-	-	-
Improvements other than buildings	-	-	-	-
Furniture and equipment	4,557,991	215,501	141,656	60,965
Less accumulated depreciation/amortization	(2,083,340)	(203,593)	(141,656)	(60,965)
Total noncurrent assets	2,474,651	11,908	-	-
Total assets	55,296,334	6,382,430	10,958,124	1,142,388
Deferred Outflows of Resources				
Deferred charge on refunding	-	-	-	-
Pension contributions	4,184,391	1,635,779	-	50,131
OPEB contributions	277,496	111,467	-	3,404
Total deferred outflows of resources	4,461,887	1,747,246	-	53,535
Liabilities				
<i>Current liabilities:</i>				
<i>Accounts payable and accruals:</i>				
Accounts payable	806,372	173,725	304,128	3,846
Accrued payroll and related liabilities	587,034	230,529	-	6,766
Interest payable	-	-	-	-
Intergovernmental payables	70,991	-	166	-
Due to other funds	80,586	22,898	1,382,381	42,217
Due to fiduciary funds	51	-	-	403
Unearned revenues	-	26,250	9,019,449	-
Other liabilities	-	-	-	-
<i>Short-term portion of long-term liabilities:</i>				
Compensated absences	791,189	283,944	-	6,842
Bonds payable	-	-	-	-
Total current liabilities	2,336,223	737,346	10,706,124	60,074
<i>Noncurrent liabilities:</i>				
Advances from other funds	-	-	-	165,360
Net pension obligation	25,318,166	9,746,921	-	296,428
Net OPEB liability	9,340,819	3,752,093	-	114,583
Compensated absences	305,761	91,879	-	732
Bonds payable	-	-	-	-
Total noncurrent liabilities	34,964,746	13,590,893	-	577,103
Total liabilities	37,300,969	14,328,239	10,706,124	637,177
Deferred Inflows of Resources				
Pension related amounts	1,925,136	741,134	-	22,540
OPEB related amounts	581,382	233,534	-	7,132
Total deferred inflows of resources	2,506,518	974,668	-	29,672
Net Position				
Net investment in capital assets	2,474,651	11,908	-	-
<i>Restricted for:</i>				
Workers' compensation	17,476,083	-	-	-
Regulation of business	-	-	2,000	-
Unrestricted (deficit)	-	(7,185,139)	250,000	529,074
Total net position	\$ 19,950,734	\$ (7,173,231)	\$ 252,000	\$ 529,074

(continued)

<u>Prison Industry</u>	<u>Nevada Magazine</u>	<u>Marlette Lake Water System</u>	<u>Total</u>
\$ 4,275,279	\$ 83,477	\$ 249,724	\$ 68,558,925
100	-	-	198,501
43,187	75,313	-	5,134,235
40,654	-	91,365	574,655
380,013	4,450	337	1,629,692
5,071	-	-	5,071
1,308,043	36,823	-	1,449,263
-	-	-	336,211
<u>6,052,347</u>	<u>200,063</u>	<u>341,426</u>	<u>77,886,553</u>
15,000	-	-	15,000
153,140	-	414,672	567,812
908,227	-	498,613	1,406,840
1,982,000	-	3,656,507	5,638,507
1,184,069	-	9,649,503	15,809,685
(3,683,716)	-	(3,261,791)	(9,435,061)
<u>558,720</u>	<u>-</u>	<u>10,957,504</u>	<u>14,002,783</u>
<u>6,611,067</u>	<u>200,063</u>	<u>11,298,930</u>	<u>91,889,336</u>
-	-	227,471	227,471
390,223	157,372	63,155	6,481,051
24,156	10,533	4,127	431,183
<u>414,379</u>	<u>167,905</u>	<u>294,753</u>	<u>7,139,705</u>
230,114	32,466	2,172	1,552,823
55,245	22,030	9,847	911,451
-	-	65,766	65,766
269	-	-	71,426
95,694	5,144	3,908	1,632,828
54,185	-	-	54,639
143,149	146,877	-	9,335,725
9,400	-	2,050	11,450
107,551	20,101	24,177	1,233,804
-	-	339,114	339,114
<u>695,607</u>	<u>226,618</u>	<u>447,034</u>	<u>15,209,026</u>
-	-	-	165,360
2,353,140	945,081	379,712	39,039,448
813,107	354,569	138,936	14,514,107
84,298	4,337	11,897	498,904
-	-	7,762,899	7,762,899
<u>3,250,545</u>	<u>1,303,987</u>	<u>8,293,444</u>	<u>61,980,718</u>
<u>3,946,152</u>	<u>1,530,605</u>	<u>8,740,478</u>	<u>77,189,744</u>
178,928	71,862	28,873	2,968,473
50,609	22,069	8,648	903,374
<u>229,537</u>	<u>93,931</u>	<u>37,521</u>	<u>3,871,847</u>
543,720	-	2,855,491	5,885,770
-	-	-	17,476,083
-	-	-	2,000
2,306,037	(1,256,568)	(39,807)	(5,396,403)
<u>\$ 2,849,757</u>	<u>\$ (1,256,568)</u>	<u>\$ 2,815,684</u>	<u>\$ 17,967,450</u>

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018

	Workers' Compensation and Safety	Insurance Admin and Enforcement	Gaming Investigative	Forestry Nurseries
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ 758,390
Assessments	-	457,069	-	-
Charges for services	5,082	14,270	13,097,379	-
Rental income	-	-	-	-
Licenses, fees and permits	40,438,852	9,405,645	-	-
Fines	3,668,181	32,250	-	-
Other	151,160	-	-	198,833
Total operating revenues	44,263,275	9,909,234	13,097,379	957,223
Operating Expenses				
Salaries and benefits	17,149,745	7,514,479	11,074,289	294,537
Operating	6,173,670	3,050,701	1,141,904	88,029
Claims and benefits expense	5,801,858	-	-	-
Materials or supplies used	-	-	-	505,047
Depreciation	309,082	869	-	-
Total operating expenses	29,434,355	10,566,049	12,216,193	887,613
Operating income (loss)	14,828,920	(656,815)	881,186	69,610
Nonoperating Revenues (Expenses)				
Interest and investment income	396,992	37,255	-	-
Interest expense	-	-	-	-
Bond issuance costs	-	-	-	-
Federal grant revenue	2,658,791	423,330	-	-
Gain (loss) on disposal of assets	7,782	-	-	-
Total nonoperating revenues (expenses)	3,063,565	460,585	-	-
Income (loss) before transfers	17,892,485	(196,230)	881,186	69,610
Transfers				
Transfers in	-	12,301	-	82,720
Transfers out	(11,068,622)	(969,861)	(881,186)	-
Change in net position	6,823,863	(1,153,790)	-	152,330
Net position, July 1	22,495,830	(2,252,123)	252,000	491,841
Net position restatement	(9,368,959)	(3,767,318)	-	(115,097)
Net position, July 1 (as restated)	13,126,871	(6,019,441)	252,000	376,744
Net position, June 30	\$ 19,950,734	\$ (7,173,231)	\$ 252,000	\$ 529,074

(continued)

<u>Prison Industry</u>	<u>Nevada Magazine</u>	<u>Marlette Lake Water System</u>	<u>Total</u>
\$ 4,013,770	\$ 958,448	\$ 958,160	\$ 6,688,768
-	-	-	457,069
719,450	27,662	-	13,863,843
141,200	-	-	141,200
-	-	-	49,844,497
-	-	-	3,700,431
75,812	12,465	145,188	583,458
<u>4,950,232</u>	<u>998,575</u>	<u>1,103,348</u>	<u>75,279,266</u>
1,351,421	683,318	225,764	38,293,553
2,351,658	206,088	186,285	13,198,335
-	-	-	5,801,858
2,056,197	215,086	-	2,776,330
79,609	-	374,990	764,550
<u>5,838,885</u>	<u>1,104,492</u>	<u>787,039</u>	<u>60,834,626</u>
<u>(888,653)</u>	<u>(105,917)</u>	<u>316,309</u>	<u>14,444,640</u>
32,042	-	-	466,289
-	-	(310,214)	(310,214)
-	-	(59,568)	(59,568)
1,196,670	-	-	4,278,791
-	-	-	7,782
<u>1,228,712</u>	<u>-</u>	<u>(369,782)</u>	<u>4,383,080</u>
<u>340,059</u>	<u>(105,917)</u>	<u>(53,473)</u>	<u>18,827,720</u>
-	-	337	95,358
<u>(109,655)</u>	<u>-</u>	<u>-</u>	<u>(13,029,324)</u>
<u>230,404</u>	<u>(105,917)</u>	<u>(53,136)</u>	<u>5,893,754</u>
3,435,849	(794,869)	3,008,212	26,636,740
<u>(816,496)</u>	<u>(355,782)</u>	<u>(139,392)</u>	<u>(14,563,044)</u>
<u>2,619,353</u>	<u>(1,150,651)</u>	<u>2,868,820</u>	<u>12,073,696</u>
<u>\$ 2,849,757</u>	<u>\$ (1,256,568)</u>	<u>\$ 2,815,684</u>	<u>\$ 17,967,450</u>

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018

	Workers' Compensation and Safety	Insurance Admin and Enforcement	Gaming Investigative	Forestry Nurseries
Cash flows from operating activities				
Receipts from customers and users	\$ 43,555,088	\$ 8,097,977	\$ 12,334,626	\$ 388,053
Receipts for interfund services provided	104,418	312,617	-	574,674
Payments to suppliers, other governments and beneficiaries	(8,357,378)	(1,882,629)	(1,184,003)	(510,199)
Payments to employees	(16,613,218)	(6,637,566)	(11,089,976)	(210,707)
Payments for interfund services	(3,408,599)	(1,194,536)	(31,955)	(31,793)
Payments to component units	(19,950)	-	-	-
Net cash provided by (used for) operating activities	15,260,361	(1,304,137)	28,692	210,028
Cash flows from noncapital financing activities				
Grant receipts	3,548,640	442,798	-	-
Transfers and advances from other funds	-	12,301	-	82,720
Transfers and advances to other funds	(11,036,888)	(1,146,683)	(831,784)	-
Net cash provided by (used for) noncapital financing activities	(7,488,248)	(691,584)	(831,784)	82,720
Cash flows from capital and related financing activities				
Proceeds from capital debt	-	-	-	-
Proceeds from sale of capital assets	7,782	-	-	-
Purchase of capital assets	(271,408)	(9,875)	-	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Payments on construction projects	-	-	-	-
Payments on refunding bonds	-	-	-	-
Bond Issuance costs	-	-	-	-
Net cash provided by (used for) capital and related financing activities	(263,626)	(9,875)	-	-
Cash flows from investing activities				
Interest, dividends and gains (losses)	237,461	42,002	-	-
Net cash provided by (used for) investing activities	237,461	42,002	-	-
Net cash increase (decreases) in cash	7,745,948	(1,963,594)	(803,092)	292,748
Cash and cash equivalents, July 1	40,351,410	6,241,178	11,613,519	670,729
Cash and cash equivalents, June 30	\$ 48,097,358	\$ 4,277,584	\$ 10,810,427	\$ 963,477
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ 14,828,920	\$ (656,815)	\$ 881,186	\$ 69,610
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	309,082	869	-	-
Decrease (increase) in accrued interest and receivables	(603,769)	(1,524,890)	415	5,504
Decrease (increase) in inventory, deferred charges, other assets	(102,752)	-	(15,687)	56,555
Decrease (increase) in deferred outflow of resources	(215,900)	(178,051)	-	(11,101)
Increase (decrease) in accounts payable, accruals, other liabilities	420,494	16,140	(74,054)	(2,394)
Increase (decrease) in unearned revenues	-	26,250	(763,168)	-
Increase(decrease) in net pension liability	416,788	870,736	-	82,995
Increase(decrease) in net OPEB liability	(299,554)	(120,327)	-	(3,675)
Increase (decrease) in deferred inflows of resources	507,052	261,951	-	12,534
Total adjustments	431,441	(647,322)	(852,494)	140,418
Net cash provided by (used for) operating activities	\$ 15,260,361	\$ (1,304,137)	\$ 28,692	\$ 210,028
Noncash investing, capital and financing activities				
Gain (loss) on disposal of assets	\$ (7,782)	\$ -	\$ -	\$ -

(continued)

<u>Prison Industry</u>	<u>Nevada Magazine</u>	<u>Marlette Lake Water System</u>	<u>Total</u>
\$ 2,985,433	\$ 725,616	\$ 1,134,179	\$ 69,220,972
2,136,100	263,272	23,059	3,414,140
(2,843,709)	(417,351)	(125,006)	(15,320,275)
(1,535,768)	(621,275)	(287,473)	(36,995,983)
(1,393,046)	(72,148)	(71,959)	(6,204,036)
-	-	(3,403)	(23,353)
<u>(650,990)</u>	<u>(121,886)</u>	<u>669,397</u>	<u>14,091,465</u>
1,284,580	-	-	5,276,018
-	-	936	95,957
<u>(110,838)</u>	<u>-</u>	<u>-</u>	<u>(13,126,193)</u>
<u>1,173,742</u>	<u>-</u>	<u>936</u>	<u>(7,754,218)</u>
-	-	3,001,854	3,001,854
-	-	-	7,782
-	-	(46,700)	(327,983)
-	-	(243,000)	(243,000)
-	-	(348,139)	(348,139)
-	-	(50,516)	(50,516)
-	-	(2,885,000)	(2,885,000)
-	-	(59,568)	(59,568)
<u>-</u>	<u>-</u>	<u>(631,069)</u>	<u>(904,570)</u>
18,453	-	-	297,916
<u>18,453</u>	<u>-</u>	<u>-</u>	<u>297,916</u>
541,205	(121,886)	39,264	5,730,593
3,734,174	205,363	210,460	63,026,833
<u>\$ 4,275,379</u>	<u>\$ 83,477</u>	<u>\$ 249,724</u>	<u>\$ 68,757,426</u>
\$ (888,653)	\$ (105,917)	\$ 316,309	\$ 14,444,640
79,609	-	374,990	764,550
148,149	(13,540)	53,890	(1,934,241)
33,980	8,254	-	(19,650)
2,270	(12,966)	2,859	(412,889)
179,486	(66,690)	(12,079)	460,903
23,152	3,853	-	(709,913)
(225,399)	54,102	(64,008)	1,135,214
(26,076)	(11,371)	(4,456)	(465,459)
22,492	22,389	1,892	828,310
<u>237,663</u>	<u>(15,969)</u>	<u>353,088</u>	<u>(353,175)</u>
<u>\$ (650,990)</u>	<u>\$ (121,886)</u>	<u>\$ 669,397</u>	<u>\$ 14,091,465</u>
\$ -	\$ -	\$ -	(7,782)



Smokey's Band



Later taken over by
Paladin.

Internal Service Funds

Self-Insurance Accounts for self-insured group life, accident and health insurance plans for State and other government employees (NRS 287.0435).

Buildings and Grounds Accounts for the maintenance, housekeeping and security of most State buildings (NRS 331.101).

Fleet Services Accounts for the operations of the State vehicle fleet (NRS 336.110).

Communications Accounts for the operation of mail services for State agencies in Carson City, Reno, Las Vegas and Elko (NRS 378.143).

Insurance Premiums Allocates the costs of fidelity insurance, property insurance and workers' compensation insurance to State agencies (NRS 331.187).

Administrative Services Provides administrative and accounting services to various divisions of the Department of Administration (NRS 232.219).

Personnel Accounts for the costs of administering the State personnel system. Operations are financed by assessments charged to user agencies (NRS 284.110).

Purchasing Provides purchasing services to State agencies and other governmental units. The operation is financed by an administrative charge on purchase orders and warehouse orders (NRS 333.120).

Information Services Accounts for designing, programming, and maintaining data processing software and also operating the State's central computer facility, radio communication and telecommunication systems (NRS 242.211).

Printing Accounts for the operation of the State printing facilities (NRS 344.090).

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

	Self-Insurance	Buildings and Grounds	Fleet Services	Communications
Assets				
<i>Current assets:</i>				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 140,029,596	\$ 4,248,975	\$ 1,083,232	\$ 285,016
<i>Receivables:</i>				
Accounts receivable	2,864,110	3,586	1,900	14,161
Intergovernmental receivables	6,717,562	19,278	2,622	939
Notes/loans receivable	-	-	-	-
Due from other funds	2,408,106	309,841	441,441	541,780
Due from fiduciary funds	3,780,169	-	-	48
Due from component units	939,496	30	9,141	81
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Total current assets	156,739,039	4,581,710	1,538,336	842,025
<i>Noncurrent assets:</i>				
<i>Receivables:</i>				
Notes/loans receivable	-	-	-	-
Other assets	-	-	-	-
<i>Capital assets:</i>				
Land	-	20,400	901,783	-
Buildings	-	2,268,068	2,476,962	-
Improvements other than buildings	-	291,216	-	422,451
Furniture and equipment	466,100	881,220	25,474,754	1,143,912
Software costs	-	-	-	-
Construction in progress	-	-	-	-
Less accumulated depreciation/amortization	(369,138)	(2,625,179)	(17,192,320)	(1,280,967)
Total noncurrent assets	96,962	835,725	11,661,179	285,396
Total assets	156,836,001	5,417,435	13,199,515	1,127,421
Deferred Outflows of Resources				
Pension contributions	572,133	1,347,701	240,450	258,220
OPEB contributions	39,801	86,169	16,718	16,961
Total deferred outflows of resources	611,934	1,433,870	257,168	275,181
Liabilities				
<i>Current liabilities:</i>				
<i>Accounts payable and accruals:</i>				
Accounts payable	1,736,131	821,620	168,144	9,477
Accrued payroll and related liabilities	91,013	197,635	34,834	35,053
Intergovernmental payables	-	58,595	1,922	-
Bank overdraft	2,419,159	-	-	-
Due to other funds	16,562	151,750	199,436	30,753
Due to fiduciary funds	-	5,438	1,674	-
Due to component units	-	12	-	-
Unearned revenues	48,916	-	-	-
<i>Short-term portion of long-term liabilities:</i>				
Reserve for losses	71,683,258	-	-	-
Compensated absences	157,495	288,058	46,597	53,130
Bonds payable	-	-	-	-
Obligations under capital leases	-	-	1,040,057	-
Total current liabilities	76,152,534	1,523,108	1,492,664	128,413
<i>Noncurrent liabilities:</i>				
Advances from other funds	-	-	1,812,500	-
Reserve for losses	-	-	-	-
Net pension obligation	3,361,917	8,209,561	1,410,030	1,583,721
Net OPEB liability	1,339,747	2,900,533	562,726	570,915
Compensated absences	66,215	104,469	39,209	39,732
Bonds payable	-	-	-	-
Obligations under capital leases	-	-	2,469,228	-
Total noncurrent liabilities	4,767,879	11,214,563	6,293,693	2,194,368
Total liabilities	80,920,413	12,737,671	7,786,357	2,322,781
Deferred Inflows of Resources				
Pension related amounts	255,633	624,238	107,215	120,422
OPEB related amounts	83,387	180,532	35,025	35,534
Total deferred inflows of resources	339,020	804,770	142,240	155,956
Net Position				
Net investment in capital assets	96,962	835,725	8,151,894	285,396
Unrestricted (deficit)	76,091,540	(7,526,861)	(2,623,808)	(1,361,531)
Total net position	\$ 76,188,502	\$ (6,691,136)	\$ 5,528,086	\$ (1,076,135)

(continued)

<u>Insurance Premiums</u>	<u>Administrative Services</u>	<u>Personnel</u>	<u>Purchasing</u>	<u>Information Services</u>	<u>Printing</u>	<u>Total</u>
\$ 17,867,422	\$ 739,282	\$ 1,956,154	\$ 1,021,465	\$ 7,846,041	\$ 1,265,116	\$ 176,342,299
1,465	-	44	371,308	158,020	-	3,414,594
-	-	-	-	107,700	-	6,848,101
5,000	-	-	-	-	-	5,000
630,266	2,108	248,226	6,553	4,821,835	1,053,528	10,463,684
-	-	-	-	-	-	3,780,217
1,472	-	-	-	1,052	-	951,272
-	-	-	-	-	226,823	226,823
161,119	-	5,000	-	380,585	-	546,704
<u>18,666,744</u>	<u>741,390</u>	<u>2,209,424</u>	<u>1,399,326</u>	<u>13,315,233</u>	<u>2,545,467</u>	<u>202,578,694</u>
65,000	-	-	-	-	-	65,000
-	-	-	-	3,761	-	3,761
-	-	-	95,554	15,000	-	1,032,737
-	-	-	140,000	14,762,838	744,617	20,392,485
-	-	-	-	-	3,125,954	3,839,621
14,442	45,250	201,252	86,146	31,055,373	3,989,930	63,358,379
-	-	16,134,510	-	-	-	16,134,510
-	-	-	-	8,262,730	-	8,262,730
(12,814)	(45,250)	(15,555,750)	(226,146)	(36,759,579)	(5,453,754)	(79,520,897)
<u>66,628</u>	<u>-</u>	<u>780,012</u>	<u>95,554</u>	<u>17,340,123</u>	<u>2,406,747</u>	<u>33,568,326</u>
<u>18,733,372</u>	<u>741,390</u>	<u>2,989,436</u>	<u>1,494,880</u>	<u>30,655,356</u>	<u>4,952,214</u>	<u>236,147,020</u>
200,550	553,111	1,331,427	447,581	4,000,663	387,160	9,338,996
12,801	37,752	88,295	30,607	278,455	25,830	633,389
<u>213,351</u>	<u>590,863</u>	<u>1,419,722</u>	<u>478,188</u>	<u>4,279,118</u>	<u>412,990</u>	<u>9,972,385</u>
791,513	4,936	46,715	112,233	1,893,683	96,783	5,681,235
27,554	88,850	206,333	63,102	575,746	37,520	1,357,640
-	-	-	48	5,209	-	65,774
-	-	-	-	-	-	2,419,159
11,165	21,277	128,352	49,736	557,432	4,098	1,170,561
-	-	-	-	76	9,120	16,308
-	-	6,960	-	-	-	6,972
-	-	-	-	30	-	48,946
17,268,327	-	-	-	-	-	88,951,585
51,779	118,237	292,847	108,259	1,031,435	80,244	2,228,081
-	-	-	-	513,323	-	513,323
-	-	-	-	-	-	1,040,057
<u>18,150,338</u>	<u>233,300</u>	<u>681,207</u>	<u>333,378</u>	<u>4,576,934</u>	<u>227,765</u>	<u>103,499,641</u>
-	-	-	-	6,067,265	-	7,879,765
43,922,343	-	-	-	-	-	43,922,343
1,244,992	3,299,949	8,089,324	2,669,574	23,348,751	1,480,378	54,698,197
430,904	1,270,772	2,972,111	1,030,287	9,373,128	869,130	21,320,253
27,048	27,829	188,924	50,354	552,373	54,116	1,150,269
-	-	-	-	3,196,280	-	3,196,280
-	-	-	-	-	-	2,469,228
<u>45,625,287</u>	<u>4,598,550</u>	<u>11,250,359</u>	<u>3,750,215</u>	<u>42,537,797</u>	<u>2,403,624</u>	<u>134,636,335</u>
<u>63,775,625</u>	<u>4,831,850</u>	<u>11,931,566</u>	<u>4,083,593</u>	<u>47,114,731</u>	<u>2,631,389</u>	<u>238,135,976</u>
94,666	250,922	615,094	202,988	1,775,386	159,892	4,206,456
26,820	79,094	184,987	64,126	583,393	54,095	1,326,993
<u>121,486</u>	<u>330,016</u>	<u>800,081</u>	<u>267,114</u>	<u>2,358,779</u>	<u>213,987</u>	<u>5,533,449</u>
1,628	-	780,012	95,554	13,691,111	2,406,747	26,345,029
(44,952,016)	(3,829,613)	(9,102,501)	(2,473,193)	(28,230,147)	113,081	(23,895,049)
<u>\$ (44,950,388)</u>	<u>\$ (3,829,613)</u>	<u>\$ (8,322,489)</u>	<u>\$ (2,377,639)</u>	<u>\$ (14,539,036)</u>	<u>\$ 2,519,828</u>	<u>\$ 2,449,980</u>

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

	Self-Insurance	Buildings and Grounds	Fleet Services	Communications
Operating Revenues				
Net premium income	\$ 362,340,352	\$ -	\$ -	\$ -
Sales	-	-	300	-
Charges for services	-	1,213,853	110,373	5,985,890
Rental income	-	14,630,681	4,706,387	-
Other	1,683	57,207	-	-
Total operating revenues	362,342,035	15,901,741	4,817,060	5,985,890
Operating Expenses				
Salaries and benefits	2,206,566	6,101,455	1,276,920	1,000,813
Operating	3,878,955	10,093,123	2,501,280	5,132,050
Claims and benefits expense	227,862,964	-	-	-
Materials or supplies used	-	-	219,408	-
Depreciation	41,586	134,435	2,924,655	30,700
Insurance premiums	125,492,052	-	-	-
Total operating expenses	359,482,123	16,329,013	6,922,263	6,163,563
Operating income (loss)	2,859,912	(427,272)	(2,105,203)	(177,673)
Nonoperating Revenues (Expenses)				
Interest and investment income	596,822	-	-	-
Interest expense	-	-	(62,735)	-
Gain (loss) on disposal of assets	-	-	177,276	-
Total nonoperating revenues (expenses)	596,822	-	114,541	-
Income (loss) before transfers	3,456,734	(427,272)	(1,990,662)	(177,673)
Transfers				
Transfers in	-	5,301	-	-
Transfers out	-	-	(541,783)	-
Change in net position	3,456,734	(421,971)	(2,532,445)	(177,673)
Net position, July 1	74,077,292	(3,359,383)	8,626,148	(326,302)
Net position restatement	(1,345,524)	(2,909,782)	(565,617)	(572,160)
Net position, July 1 (as restated)	72,731,768	(6,269,165)	8,060,531	(898,462)
Net position, June 30	\$ 76,188,502	\$ (6,691,136)	\$ 5,528,086	\$ (1,076,135)

(continued)

<u>Insurance Premiums</u>	<u>Administrative Services</u>	<u>Personnel</u>	<u>Purchasing</u>	<u>Information Services</u>	<u>Printing</u>	<u>Total</u>
\$ 24,063,359	\$ -	\$ -	\$ -	\$ -	\$ -	386,403,711
-	-	-	-	-	2,465,114	2,465,414
-	2,850,155	8,054,950	3,201,683	34,354,197	-	55,771,101
-	-	-	-	-	-	19,337,068
959,471	-	28,601	365,793	3,045	9,930	1,425,730
<u>25,022,830</u>	<u>2,850,155</u>	<u>8,083,551</u>	<u>3,567,476</u>	<u>34,357,242</u>	<u>2,475,044</u>	<u>465,403,024</u>
872,447	1,878,444	5,001,877	1,297,543	16,028,464	1,633,432	37,297,961
2,100,669	393,461	2,760,484	2,202,483	12,937,254	536,729	42,536,488
11,657,024	-	-	-	-	-	239,519,988
-	-	-	-	-	385,423	604,831
800	-	92,218	-	2,086,869	131,008	5,442,271
5,946,168	-	-	-	-	-	131,438,220
<u>20,577,108</u>	<u>2,271,905</u>	<u>7,854,579</u>	<u>3,500,026</u>	<u>31,052,587</u>	<u>2,686,592</u>	<u>456,839,759</u>
<u>4,445,722</u>	<u>578,250</u>	<u>228,972</u>	<u>67,450</u>	<u>3,304,655</u>	<u>(211,548)</u>	<u>8,563,265</u>
-	-	-	-	-	-	596,822
-	-	-	-	-	-	(62,735)
-	-	-	-	(49,809)	-	127,467
-	-	-	-	(49,809)	-	661,554
<u>4,445,722</u>	<u>578,250</u>	<u>228,972</u>	<u>67,450</u>	<u>3,254,846</u>	<u>(211,548)</u>	<u>9,224,819</u>
-	97,118	-	118,755	1,482,819	159,605	1,863,598
(50,000)	-	-	-	(74,827)	-	(666,610)
<u>4,395,722</u>	<u>675,368</u>	<u>228,972</u>	<u>186,205</u>	<u>4,662,838</u>	<u>(51,943)</u>	<u>10,421,807</u>
(48,914,793)	(3,229,344)	(5,571,734)	(1,529,566)	(9,778,947)	3,446,790	13,440,161
(431,317)	(1,275,637)	(2,979,727)	(1,034,278)	(9,422,927)	(875,019)	(21,411,988)
(49,346,110)	(4,504,981)	(8,551,461)	(2,563,844)	(19,201,874)	2,571,771	(7,971,827)
<u>\$ (44,950,388)</u>	<u>\$ (3,829,613)</u>	<u>\$ (8,322,489)</u>	<u>\$ (2,377,639)</u>	<u>\$ (14,539,036)</u>	<u>\$ 2,519,828</u>	<u>\$ 2,449,980</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

	Self-Insurance	Buildings and Grounds	Fleet Services	Communications	Insurance Premiums	Administrative Services
Cash flows from operating activities						
Receipts from customers and users	\$ 51,789,488	\$ 181,194	\$ 75,265	\$ 13,546	\$ 983,605	\$ -
Receipts for interfund services provided	300,422,806	15,570,375	4,771,867	6,016,815	23,471,295	2,850,155
Receipts from component units	15,384,957	-	66,957	1,885	541,801	-
Receipts of principal on loans/notes	-	-	-	-	5,000	-
Payments to suppliers, other governments and beneficiaries	(354,340,910)	(9,651,055)	(1,765,825)	(4,833,977)	(11,689,068)	(63,871)
Payments to employees	(2,445,449)	(5,665,373)	(1,053,341)	(1,094,844)	(742,332)	(2,369,005)
Payments for interfund services	(1,098,176)	(1,527,357)	(929,157)	(301,616)	(12,987,246)	(315,576)
Payments to component units	-	(121)	(277)	-	(132,199)	-
Net cash provided by (used for) operating activities	9,712,716	(1,092,337)	1,165,489	(198,191)	(549,144)	101,703
Cash flows from noncapital financing activities						
Transfers and advances from other funds	-	16,672	3,821	-	7,170	95,010
Transfers and advances to other funds	-	-	(541,783)	-	(50,000)	-
Net cash provided by (used for) noncapital financing activities	-	16,672	(537,962)	-	(42,830)	95,010
Cash flows from capital and related financing activities						
Proceeds from sale of capital assets	-	-	220,410	-	-	-
Purchase of capital assets	(12,773)	(24,898)	(328,338)	-	-	-
Principal paid on capital debt	-	-	(915,891)	-	-	-
Interest paid on capital debt	-	-	(62,735)	-	-	-
Net cash provided by (used for) capital and related financing activities	(12,773)	(24,898)	(1,086,554)	-	-	-
Cash flows from investing activities						
Interest, dividends and gains (losses)	274,125	-	-	-	-	-
Net cash provided by (used for) investing activities	274,125	-	-	-	-	-
Net increase (decreases) in cash	9,974,068	(1,100,563)	(459,027)	(198,191)	(591,974)	196,713
Cash and cash equivalents, July 1	130,055,528	5,349,538	1,542,259	483,207	18,459,396	542,569
Cash and cash equivalents, June 30	\$ 140,029,596	\$ 4,248,975	\$ 1,083,232	\$ 285,016	\$ 17,867,422	\$ 739,282
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities						
Operating income (loss)	\$ 2,859,912	\$ (427,272)	\$ (2,105,203)	\$ (177,673)	\$ 4,445,722	\$ 578,250
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	41,586	134,435	2,924,655	30,700	800	-
Decrease (increase) in loans and notes receivable	-	-	-	-	5,000	-
Decrease (increase) in accrued interest and receivables	4,328,891	(169,452)	97,029	46,356	(26,129)	-
Decrease (increase) in inventory, deferred charges, other assets	-	-	-	-	(73,619)	-
Decrease (increase) in deferred outflow of resources	(16,556)	(87,570)	(38,476)	1,633	(12,348)	7,310
Increase (decrease) in accounts payable, accruals, other liabilities	2,805,200	(1,046,068)	44,384	(8,510)	(5,009,602)	(52,698)
Increase (decrease) in unearned revenues	(38,724)	-	-	-	-	-
Increase(decrease) in net pension liability	(271,871)	417,505	214,871	(93,658)	104,908	(421,598)
Increase(decrease) in net OPEB liability	(42,965)	(93,018)	(18,046)	(18,309)	(13,819)	(40,753)
Increase (decrease) in deferred inflows of resources	47,243	179,103	46,275	21,270	29,943	31,192
Total adjustments	6,852,804	(665,065)	3,270,692	(20,518)	(4,994,866)	(476,547)
Net cash provided by (used for) operating activities	\$ 9,712,716	\$ (1,092,337)	\$ 1,165,489	\$ (198,191)	\$ (549,144)	\$ 101,703
Noncash investing, capital and financing activities						
Gain (loss) on disposal of assets	\$ -	\$ -	\$ (43,635)	\$ -	\$ -	\$ -
Capital assets leased	-	-	4,300,176	-	-	-

(continued)

<u>Personnel</u>	<u>Purchasing</u>	<u>Information Services</u>	<u>Printing</u>	<u>Total</u>
\$ 2,335	\$ 981,698	\$ 749,175	\$ 205,563	\$ 54,981,869
7,483,847	2,235,781	31,586,474	1,421,927	395,831,342
401,137	-	-	-	16,396,737
-	-	-	-	5,000
(649,729)	(1,584,936)	(11,767,862)	(647,118)	(396,994,351)
(5,364,319)	(1,878,756)	(17,234,649)	(1,586,668)	(39,434,736)
(2,102,701)	(553,554)	(300)	(253,784)	(20,069,467)
(18,020)	-	(113,981)	-	(264,598)
<u>(247,450)</u>	<u>(799,767)</u>	<u>3,218,857</u>	<u>(860,080)</u>	<u>10,451,796</u>
-	118,755	973,127	159,605	1,374,160
-	-	(74,827)	-	(666,610)
<u>-</u>	<u>118,755</u>	<u>898,300</u>	<u>159,605</u>	<u>707,550</u>
-	-	-	-	220,410
(34,960)	-	(3,370,539)	(111,262)	(3,882,770)
-	-	(923,518)	-	(1,839,409)
-	-	-	-	(62,735)
<u>(34,960)</u>	<u>-</u>	<u>(4,294,057)</u>	<u>(111,262)</u>	<u>(5,564,504)</u>
-	-	-	-	274,125
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,125</u>
(282,410)	(681,012)	(176,900)	(811,737)	5,868,967
2,238,564	1,702,477	8,022,941	2,076,853	170,473,332
<u>\$ 1,956,154</u>	<u>\$ 1,021,465</u>	<u>\$ 7,846,041</u>	<u>\$ 1,265,116</u>	<u>\$ 176,342,299</u>
\$ 228,972	\$ 67,450	\$ 3,304,655	\$ (211,548)	\$ 8,563,265
92,218	-	2,086,869	131,008	5,442,271
-	-	-	-	5,000
(196,232)	(349,997)	(2,021,593)	(847,553)	861,320
-	-	(380,585)	25,006	(429,198)
(14,394)	29,586	(245,940)	(82,602)	(459,357)
(2,464)	79,068	1,236,231	(15,726)	(1,970,185)
-	-	-	-	(38,724)
(380,249)	(597,608)	(873,993)	161,980	(1,739,713)
(95,314)	(33,041)	(300,591)	(27,872)	(683,728)
120,013	4,775	413,804	7,227	900,845
<u>(476,422)</u>	<u>(867,217)</u>	<u>(85,798)</u>	<u>(648,532)</u>	<u>1,888,531</u>
<u>\$ (247,450)</u>	<u>\$ (799,767)</u>	<u>\$ 3,218,857</u>	<u>\$ (860,080)</u>	<u>\$ 10,451,796</u>
\$ -	\$ -	\$ 49,809	\$ -	\$ 6,174
-	-	-	-	4,300,176



Coal and Shanán



Granada and Coal

Fiduciary Funds

PENSION AND OTHER EMPLOYEE BENEFIT TRUST

Public Employees' Retirement Accounts for the operations of the Public Employees' Retirement System which provides income benefits to qualified public employees (NRS 286.220).

Legislators' Retirement Accounts for the operations of the Legislators' Retirement System (NRS 218.2375).

Judicial Retirement Accounts for the operations of the Judicial Retirement System which provides benefits for justices of the Supreme Court, district judges, municipal court judges, and justices of the peace (NRS 1A.160).

State Retirees' Fund Accounts for the assets accumulated and the payments made for other postemployment benefits provided to current and future State retirees. Administered as a defined benefit Other Postemployment Benefit Plan (OPEB) (NRS 287.0436).

INVESTMENT TRUST

Local Government Investment Pool Accounts for investment funds received from local governments and pooled to obtain greater interest earnings (NRS 355.167).

Nevada Enhanced Savings Term Accounts for the establishment of one or more separate subaccounts for identified investments that are made for and allocated to specific participating local governments (NRS 355.165).

Retirement Benefits Investment Fund Accounts for investment of contributions made by participating entities to support financing of other post employment benefits at some time in the future (NRS 355.220).

PRIVATE PURPOSE TRUST

Prisoners' Personal Property Accounts for personal property held in trust for prisoners pending their release (NRS 209.241).

Nevada College Savings Plan Accounts for participant contributions used to pay for future college expenses (NRS 353B.340).

AGENCY

Intergovernmental Accounts for taxes and fees, such as sales and use, property tax and motor vehicle privilege tax, collected by the Department of Taxation on behalf of local governments (NRS 353.254).

State Agency Fund for Bonds Accounts for surety bonds and deposits held by the State (NRS 353.251).

Motor Vehicle Accounts for taxes and fees collected by the Department of Motor Vehicles pending distribution to counties (NRS 482.180).

Child Support Disbursement Accounts for the centralized collection and disbursement of child support payments in accordance with 42 U.S.C. Sec. 654b (NRS 425.363).

Child Welfare Trust Accounts for survivor benefits held in trust for children receiving welfare services (NRS 432.037).

Restitution Trust Accounts for money received from parolees making restitution (NRS 213.126).

State Payroll Accounts for payment of payroll and payroll deductions such as income tax withholding, insurance deductions, credit union deductions, etc. (NRS 227.130).

Combining Statement of Fiduciary Net Position

Pension and Other Employee Benefit Trust, Investment Trust and Private-Purpose Trust Funds

June 30, 2018

	Pension Trust Funds			Other Employee	Total
	Public Employees' Retirement	Legislators' Retirement	Judicial Retirement	Benefit Trust Fund - State Retirees' Fund	
Assets					
<i>Cash and pooled investments:</i>					
Cash with treasurer	\$ -	\$ -	\$ -	2,304,641	\$ 2,304,641
Cash in custody of other officials	211,016,287	17,604	620,157	-	211,654,048
<i>Investments:</i>					
Investments	-	-	-	1,602,029	1,602,029
Fixed income securities	11,916,868,196	1,337,958	34,718,157	-	11,952,924,311
Marketable equity securities	17,292,074,389	3,257,202	86,153,193	-	17,381,484,784
International securities	7,927,633,948	87,444	2,344,207	-	7,930,065,599
Real estate	1,808,733,104	-	-	-	1,808,733,104
Alternative investments	1,963,430,139	-	-	-	1,963,430,139
Collateral on loaned securities	293,807,533	-	-	-	293,807,533
<i>Receivables:</i>					
Intergovernmental receivables	131,275,781	-	61,815	13,805	131,351,401
Accrued interest and dividends	143,335,793	10,787	269,067	-	143,615,647
Other receivables	-	-	5,863	-	5,863
Trades pending settlement	263,654,290	56,080	1,216,433	-	264,926,803
Contributions receivables	-	-	-	-	-
Due from other funds	509	-	-	161,888	162,397
Due from fiduciary funds	35,148,364	-	371,095	8,362	35,527,821
Due from component units	-	-	-	1,286,771	1,286,771
Other assets	3,396,862	-	-	-	3,396,862
Furniture and equipment	44,964,024	-	-	-	44,964,024
Less accumulated depreciation/amortization	(40,441,532)	-	-	-	(40,441,532)
Total assets	41,994,897,687	4,767,075	125,759,987	5,377,496	42,130,802,245
Liabilities					
<i>Accounts payable and accruals:</i>					
Accounts payable	16,167,250	1,889	35,479	-	16,204,618
Intergovernmental payables	-	-	-	-	-
Trades pending settlement	253,174,889	57,410	1,350,484	-	254,582,783
Redemptions payable	-	-	-	-	-
Bank overdraft	-	-	-	-	-
Obligations under securities lending	293,807,533	-	-	-	293,807,533
Due to other funds	48	-	-	3,780,169	3,780,217
Due to fiduciary funds	61,115	-	-	-	61,115
Other liabilities	-	-	-	-	-
Total liabilities	563,210,835	59,299	1,385,963	3,780,169	568,436,266
Net Position					
<i>Restricted for:</i>					
Pension benefits	41,431,686,852	4,707,776	124,374,024	-	41,560,768,652
OPEB benefits	-	-	-	1,597,327	1,597,327
Pool participants	-	-	-	-	-
Individuals	-	-	-	-	-
Total net position	\$ 41,431,686,852	\$ 4,707,776	\$ 124,374,024	\$ 1,597,327	\$ 41,562,365,979

(continued)

Investment Trust Funds				Private-Purpose Trust Funds		
Local Government Investment Pool	Nevada Enhanced Savings Term	Retirement Benefits Investment Fund	Total	Prisoners' Personal Property	Nevada College Savings Plan	Total
\$ -	\$ -	\$ -	\$ -	8,841,958	\$ -	8,841,958
-	-	2,892,549	2,892,549	-	19,961,164	19,961,164
1,118,822,422	116,819,707	453,194,764	1,688,836,893	-	23,702,031,429	23,702,031,429
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	91,181	-	91,181
3,096,121	270,606	4,111,656	7,478,383	-	1,305,368	1,305,368
-	-	-	-	-	-	-
-	-	-	-	-	1,182,386	1,182,386
-	-	-	-	-	18,013,242	18,013,242
-	-	-	-	161,112	-	161,112
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	48,222	-	48,222
-	-	-	-	(48,222)	-	(48,222)
<u>1,121,918,543</u>	<u>117,090,313</u>	<u>460,198,969</u>	<u>1,699,207,825</u>	<u>9,094,251</u>	<u>23,742,493,589</u>	<u>23,751,587,840</u>
-	34,909	36,176	71,085	152,980	3,611,930	3,764,910
75,370	-	-	75,370	23,191	-	23,191
-	-	2,848,233	2,848,233	-	10,857,246	10,857,246
-	-	-	-	-	6,213,649	6,213,649
-	-	-	-	-	873,000	873,000
-	-	-	-	-	-	-
2,337	4,654	-	6,991	1,318,734	-	1,318,734
-	-	-	-	83,913	-	83,913
22,373	-	-	22,373	-	-	-
<u>100,080</u>	<u>39,563</u>	<u>2,884,409</u>	<u>3,024,052</u>	<u>1,578,818</u>	<u>21,555,825</u>	<u>23,134,643</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,121,818,463	117,050,750	457,314,560	1,696,183,773	-	-	-
-	-	-	-	7,515,433	23,720,937,764	23,728,453,197
<u>\$ 1,121,818,463</u>	<u>\$ 117,050,750</u>	<u>\$ 457,314,560</u>	<u>\$ 1,696,183,773</u>	<u>\$ 7,515,433</u>	<u>\$ 23,720,937,764</u>	<u>\$ 23,728,453,197</u>

**Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust, Investment Trust and Private-Purpose Trust Funds**

For the Fiscal Year Ended June 30, 2018

	Pension Trust Funds			Other Employee Benefit Trust	Total
	Public Employees' Retirement	Legislators' Retirement	Judicial Retirement	Fund - State Retirees' Fund	
Additions					
<i>Contributions:</i>					
Employer	\$ 930,269,427	\$ 104,834	\$ 5,822,336	\$ 39,668,884	\$ 975,865,481
Plan members	930,269,427	20,286	33,893	-	930,323,606
Participants	-	-	-	-	-
Repayment and purchase of service	73,557,804	-	81,428	-	73,639,232
Total contributions	1,934,096,658	125,120	5,937,657	39,668,884	1,979,828,319
<i>Investment income:</i>					
Net increase (decrease) in fair value of investments	2,359,397,125	320,457	7,759,702	84,595	2,367,561,879
Interest, dividends	841,519,100	77,429	1,951,199	78,210	843,625,938
Securities lending	6,232,609	-	-	-	6,232,609
Other	117,458,561	-	-	-	117,458,561
	3,324,607,395	397,886	9,710,901	162,805	3,334,878,987
Less investment expense:					
Other	(50,737,942)	(840)	(18,788)	(372)	(50,757,942)
Net investment income	3,273,869,453	397,046	9,692,113	162,433	3,284,121,045
<i>Other:</i>					
Investment from local governments	-	-	-	-	-
Reinvestment from interest income	-	-	-	-	-
Other	2,308,241	72,883	-	-	2,381,124
Total other	2,308,241	72,883	-	-	2,381,124
Total additions	5,210,274,352	595,049	15,629,770	39,831,317	5,266,330,488
Deductions					
Principal redeemed	-	-	-	-	-
Benefit payments	2,420,013,618	459,910	5,657,179	39,710,152	2,465,840,859
Refunds	31,366,228	-	-	-	31,366,228
Contribution distributions	515,342	-	-	-	515,342
Dividends to investors	-	-	-	-	-
Administrative expense	12,945,720	72,014	97,467	-	13,115,201
Total deductions	2,464,840,908	531,924	5,754,646	39,710,152	2,510,837,630
Change in net position	2,745,433,444	63,125	9,875,124	121,165	2,755,492,858
Net position, July 1	38,686,253,408	4,644,651	114,498,900	1,476,162	38,806,873,121
Net position, June 30	\$ 41,431,686,852	\$ 4,707,776	\$ 124,374,024	\$ 1,597,327	\$ 41,562,365,979

(continued)

Investment Trust Funds				Private-Purpose Trust Funds		
Local Government Investment Pool	Nevada Enhanced Savings Term	Retirement Benefits Investment Fund	Total	Prisoners' Personal Property	Nevada College Savings Plan	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	25,976,223	8,778,128,442	8,804,104,665
-	-	-	-	-	-	-
-	-	-	-	25,976,223	8,778,128,442	8,804,104,665
(817,633)	(887,220)	24,870,580	23,165,727	-	995,021,860	995,021,860
856,950	1,772,637	10,062,889	12,692,476	-	553,431,529	553,431,529
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,317	885,417	34,933,469	35,858,203	-	1,548,453,389	1,548,453,389
-	-	(63,841)	(63,841)	-	-	-
39,317	885,417	34,869,628	35,794,362	-	1,548,453,389	1,548,453,389
1,894,562,478	-	14,061,024	1,908,623,502	-	-	-
14,655,590	-	-	14,655,590	-	-	-
-	-	164	164	-	-	-
1,909,218,068	-	14,061,188	1,923,279,256	-	-	-
1,909,257,385	885,417	48,930,816	1,959,073,618	25,976,223	10,326,581,831	10,352,558,054
1,617,499,093	76,900	-	1,617,575,993	-	7,144,644,598	7,144,644,598
-	-	-	-	25,726,424	-	25,726,424
-	-	-	-	-	-	-
-	-	8,466,166	8,466,166	-	-	-
658,375	-	-	658,375	-	-	-
198,575	157,814	43,680	400,069	-	36,115,244	36,115,244
1,618,356,043	234,714	8,509,846	1,627,100,603	25,726,424	7,180,759,842	7,206,486,266
290,901,342	650,703	40,420,970	331,973,015	249,799	3,145,821,989	3,146,071,788
830,917,121	116,400,047	416,893,590	1,364,210,758	7,265,634	20,575,115,775	20,582,381,409
\$ 1,121,818,463	\$ 117,050,750	\$ 457,314,560	\$ 1,696,183,773	\$ 7,515,433	\$ 23,720,937,764	\$ 23,728,453,197

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

	Intergovernmental	State Agency Fund for Bonds	Motor Vehicle	Child Support Disbursement
Assets				
<i>Cash and pooled investments:</i>				
Cash with treasurer	\$ 15,093,875	\$ 34,373,626	\$ 40,708,101	\$ -
Cash in custody of other officials	-	21,893,634	26,884,700	3,618,574
Investments	-	244,017,393	-	-
<i>Receivables:</i>				
Taxes receivable	14,222,726	-	63,753,082	-
Intergovernmental receivables	-	-	1,241	-
Other receivables	-	-	86,961	-
Due from other funds	593,578,826	32,882,994	45,678	-
Due from fiduciary funds	16,108,583	-	2,696	-
Total assets	\$ 639,004,010	\$ 333,167,647	\$ 131,482,459	\$ 3,618,574
Liabilities				
<i>Accruals:</i>				
Accrued payroll and related liabilities	\$ -	\$ -	\$ -	\$ -
Intergovernmental payables	639,004,010	-	86,598,746	-
Due to fiduciary funds	-	-	16,108,583	-
<i>Other liabilities:</i>				
Deposits	-	333,167,647	28,764,559	-
Other liabilities	-	-	10,571	3,618,574
Total liabilities	\$ 639,004,010	\$ 333,167,647	\$ 131,482,459	\$ 3,618,574

(continued)

<u>Child Welfare Trust</u>	<u>Restitution Trust</u>	<u>State Payroll</u>	<u>Total Agency Funds</u>
\$ 88,543	\$ 2,454,517	\$ 34,366,538	\$ 127,085,200
-	-	-	52,396,908
-	-	-	244,017,393
-	-	-	77,975,808
-	-	39,379	40,620
-	-	885	87,846
671	364	1,107,384	627,615,917
-	81,217	52,753	16,245,249
<u>\$ 89,214</u>	<u>\$ 2,536,098</u>	<u>\$ 35,566,939</u>	<u>\$ 1,145,464,941</u>

\$ -	\$ -	\$ 29,583	\$ 29,583
-	-	17,897	725,620,653
-	-	35,519,459	51,628,042
-	-	-	361,932,206
89,214	2,536,098	-	6,254,457
<u>\$ 89,214</u>	<u>\$ 2,536,098</u>	<u>\$ 35,566,939</u>	<u>\$ 1,145,464,941</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities Agency Funds

For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Intergovernmental				
<i>Assets</i>				
Cash with treasurer	\$ 14,212,800	\$ 3,251,027,484	\$ 3,250,146,409	\$ 15,093,875
Taxes receivable	11,991,606	14,222,726	11,991,606	14,222,726
Due from other funds	561,937,770	593,578,826	561,937,770	593,578,826
Due from fiduciary funds	15,292,802	16,108,583	15,292,802	16,108,583
Total assets	\$ 603,434,978	\$ 3,874,937,619	\$ 3,839,368,587	\$ 639,004,010
<i>Liabilities</i>				
Intergovernmental payables	\$ 603,434,978	\$ 3,874,937,619	\$ 3,839,368,587	\$ 639,004,010
Total liabilities	\$ 603,434,978	\$ 3,874,937,619	\$ 3,839,368,587	\$ 639,004,010
State Agency Fund for Bonds				
<i>Assets</i>				
Cash with treasurer	\$ 29,481,493	\$ 8,901,967	\$ 4,009,834	\$ 34,373,626
Cash in custody of other officials	23,523,295	6,348,454	7,978,115	21,893,634
Investments	236,026,738	62,607,655	54,617,000	244,017,393
Due from other funds	32,810,573	1,105,382	1,032,961	32,882,994
Total assets	\$ 321,842,099	\$ 78,963,458	\$ 67,637,910	\$ 333,167,647
<i>Liabilities</i>				
Deposits	\$ 321,842,099	\$ 78,963,459	\$ 67,637,911	\$ 333,167,647
Total liabilities	\$ 321,842,099	\$ 78,963,459	\$ 67,637,911	\$ 333,167,647
Motor Vehicle				
<i>Assets</i>				
Cash with treasurer	\$ 46,405,790	\$ 1,496,336,055	\$ 1,502,033,744	\$ 40,708,101
Cash in custody of other officials	26,040,300	844,400	-	26,884,700
Taxes receivable	52,535,098	63,753,082	52,535,098	63,753,082
Intergovernmental receivables	593,263	1,241	593,263	1,241
Other receivables	87,101	-	140	86,961
Due from other funds	447,827	45,678	447,827	45,678
Due from fiduciary funds	1,648	2,696	1,648	2,696
Total assets	\$ 126,111,027	\$ 1,560,983,152	\$ 1,555,611,720	\$ 131,482,459
<i>Liabilities</i>				
Intergovernmental payables	\$ 82,672,764	\$ 1,543,831,858	\$ 1,539,905,876	\$ 86,598,746
Due to fiduciary funds	15,292,802	16,108,583	15,292,802	16,108,583
Deposits	27,989,722	954,280	179,443	28,764,559
Other liabilities	155,739	88,431	233,599	10,571
Total liabilities	\$ 126,111,027	\$ 1,560,983,152	\$ 1,555,611,720	\$ 131,482,459
Child Support Disbursement				
<i>Assets</i>				
Cash in custody of other officials	\$ 4,059,416	\$ 223,138,875	\$ 223,579,717	\$ 3,618,574
Total assets	\$ 4,059,416	\$ 223,138,875	\$ 223,579,717	\$ 3,618,574
<i>Liabilities</i>				
Other liabilities	\$ 4,059,416	\$ 223,117,559	\$ 223,558,401	\$ 3,618,574
Total liabilities	\$ 4,059,416	\$ 223,117,559	\$ 223,558,401	\$ 3,618,574
Child Welfare Trust				
<i>Assets</i>				
Cash with treasurer	\$ 63,062	\$ 192,601	\$ 167,120	\$ 88,543
Due from other funds	381	671	381	671
Total assets	\$ 63,443	\$ 193,272	\$ 167,501	\$ 89,214
<i>Liabilities</i>				
Other liabilities	\$ 63,443	\$ 193,272	\$ 167,501	\$ 89,214
Total liabilities	\$ 63,443	\$ 193,272	\$ 167,501	\$ 89,214

(continued)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Restitution Trust				
<i>Assets</i>				
Cash with treasurer	\$ 1,769,170	\$ 2,894,615	\$ 2,209,268	\$ 2,454,517
Due from other funds	522	364	522	364
Due from fiduciary funds	-	81,217	-	81,217
Total assets	\$ 1,769,692	\$ 2,976,196	\$ 2,209,790	\$ 2,536,098
<i>Liabilities</i>				
Other liabilities	\$ 1,769,692	\$ 2,724,391	\$ 1,957,985	\$ 2,536,098
Total liabilities	\$ 1,769,692	\$ 2,724,391	\$ 1,957,985	\$ 2,536,098
State Payroll				
<i>Assets</i>				
Cash with treasurer	\$ 32,318,700	\$ 823,045,190	\$ 820,997,352	\$ 34,366,538
Intergovernmental receivables	31,467	39,379	31,467	39,379
Other receivables	-	885	-	885
Due from other funds	998,860	1,107,384	998,860	1,107,384
Due from fiduciary funds	43,374	52,753	43,374	52,753
Total state payroll	\$ 33,392,401	\$ 824,245,591	\$ 822,071,053	\$ 35,566,939
<i>Liabilities</i>				
Accrued payroll and related liabilities	\$ 19,056	\$ 434,825,828	\$ 434,815,301	\$ 29,583
Intergovernmental payables	-	17,897	-	17,897
Due to fiduciary funds	33,373,345	306,949,886	304,803,772	35,519,459
Deposits	-	82,451,980	82,451,980	-
Total liabilities	\$ 33,392,401	\$ 824,245,591	\$ 822,071,053	\$ 35,566,939
Totals - All Agency Funds				
<i>Assets</i>				
Cash with treasurer	\$ 124,251,015	\$ 5,582,397,912	\$ 5,579,563,727	\$ 127,085,200
Cash in custody of other officials	53,623,011	230,331,729	231,557,832	52,396,908
Investments	236,026,738	62,607,655	54,617,000	244,017,393
Taxes receivable	64,526,704	77,975,808	64,526,704	77,975,808
Intergovernmental receivables	624,730	40,620	624,730	40,620
Other receivables	87,101	885	140	87,846
Due from other funds	596,195,933	595,838,305	564,418,321	627,615,917
Due from fiduciary funds	15,337,824	16,245,249	15,337,824	16,245,249
Total assets	\$ 1,090,673,056	\$ 6,565,438,163	\$ 6,510,646,278	\$ 1,145,464,941
<i>Liabilities</i>				
Accrued payroll and related liabilities	\$ 19,056	\$ 434,825,828	\$ 434,815,301	\$ 29,583
Intergovernmental payables	686,107,742	5,418,787,374	5,379,274,463	725,620,653
Due to fiduciary funds	48,666,147	323,058,469	320,096,574	51,628,042
Deposits	349,831,821	162,369,719	150,269,334	361,932,206
Other liabilities	6,048,290	226,123,653	225,917,486	6,254,457
Total liabilities	\$ 1,090,673,056	\$ 6,565,165,043	\$ 6,510,373,158	\$ 1,145,464,941



Breeza



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Statistical Section

This part of the State of Nevada's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

FINANCIAL TRENDS (TABLES 1 TO 4)

These tables contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

REVENUE CAPACITY (TABLES 5 TO 6)

These tables contain information to help the reader assess the government's most significant revenue source, taxable sales.

DEBT CAPACITY (TABLES 7 TO 10)

These tables present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION (TABLES 11 TO 14)

These tables offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

OPERATING INFORMATION (TABLES 15 TO 16)

These tables contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report of the relevant year.

Table 1 - Net Position by Component

Last Ten Fiscal Years, (Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 3,492,205	\$ 3,622,787	\$ 3,875,141	\$ 4,017,147	\$ 4,357,735	\$ 4,672,738	\$ 4,895,213	\$ 5,588,027	\$ 5,623,373	\$ 5,694,397
Restricted	702,743	683,526	749,818	700,341	741,250	866,071	976,650	1,105,037	1,165,363	1,208,340
Unrestricted (deficit)	(236,912)	(224,799)	(276,924)	(59,069)	(3,135)	(124,344)	(2,223,609)	(1,888,144)	(1,580,030)	(2,448,744)
Total governmental activities net position	<u>\$ 3,958,036</u>	<u>\$ 4,081,514</u>	<u>\$ 4,348,035</u>	<u>\$ 4,658,419</u>	<u>\$ 5,095,850</u>	<u>\$ 5,414,465</u>	<u>\$ 3,648,254</u>	<u>\$ 4,804,920</u>	<u>\$ 5,208,706</u>	<u>\$ 4,453,993</u>
Business-type Activities										
Net investment in capital assets	\$ 3,286	\$ 3,615	\$ 3,120	\$ 3,076	\$ 3,422	\$ 3,434	\$ 3,791	\$ 4,310	\$ 6,446	\$ 6,121
Restricted	819,348	464,346	503,090	538,143	560,410	599,806	651,863	1,153,048	1,704,681	2,226,783
Unrestricted (deficit)	(5,466)	(303,705)	(558,265)	(544,418)	(360,488)	(223,987)	88,253	8,873	13,533	21,771
Total business-type activities net position	<u>\$ 817,168</u>	<u>\$ 164,256</u>	<u>\$ (52,055)</u>	<u>\$ (3,199)</u>	<u>\$ 203,344</u>	<u>\$ 379,253</u>	<u>\$ 743,907</u>	<u>\$ 1,166,231</u>	<u>\$ 1,724,660</u>	<u>\$ 2,254,675</u>
Primary Government										
Net investment in capital assets	\$ 3,495,491	\$ 3,626,402	\$ 3,878,261	\$ 4,020,223	\$ 4,361,157	\$ 4,676,172	\$ 4,899,004	\$ 5,592,337	\$ 5,629,819	\$ 5,700,518
Restricted	1,522,091	1,147,872	1,252,908	1,238,484	1,301,660	1,465,877	1,628,513	2,258,085	2,870,044	3,435,123
Unrestricted (deficit)	(242,378)	(528,504)	(835,189)	(603,487)	(363,623)	(348,331)	(2,135,356)	(1,879,271)	(1,566,497)	(2,426,973)
Total primary government net position	<u>\$ 4,775,204</u>	<u>\$ 4,245,770</u>	<u>\$ 4,295,980</u>	<u>\$ 4,655,220</u>	<u>\$ 5,299,194</u>	<u>\$ 5,793,718</u>	<u>\$ 4,392,161</u>	<u>\$ 5,971,151</u>	<u>\$ 6,933,366</u>	<u>\$ 6,708,668</u>

Table 2 - Changes in Net Position

Last Ten Fiscal Years, (Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 389,943	\$ 375,219	\$ 334,616	\$ 240,417	\$ 229,136	\$ 202,620	\$ 280,465	\$ 206,620	\$ 351,831	\$ 289,383
Health and social services	2,667,419	3,017,013	3,209,237	3,250,926	3,464,334	3,784,055	4,887,130	-	-	-
Health services (c)	-	-	-	-	-	-	-	3,509,058	3,957,042	4,142,999
Social services (c)	-	-	-	-	-	-	-	1,601,995	1,545,446	1,700,745
Education - K-12 state support (c)	-	-	-	-	-	-	-	1,460,123	1,478,773	1,612,584
Education - K-12 administrative (c)	-	-	-	-	-	-	-	524,397	580,719	563,634
Education - K-12 (b)	1,770,627	1,810,353	1,818,869	1,794,579	1,812,992	1,830,605	1,892,519	-	-	-
Education - higher education (b)	704,789	620,570	574,667	486,320	477,852	495,893	490,407	577,683	570,398	717,073
Law, justice and public safety	687,410	690,104	667,598	646,701	657,728	662,330	695,023	709,920	750,614	729,018
Regulation of business	118,086	100,380	122,679	101,687	85,688	303,020	259,106	299,093	295,766	315,038
Transportation	762,610	644,976	630,657	801,797	505,354	327,519	462,386	180,224	841,046	851,333
Recreation and resource development	165,741	161,048	153,404	138,599	134,578	139,188	145,000	144,940	161,621	178,524
Interest on long-term debt	138,304	132,238	128,606	122,080	106,126	121,224	94,987	79,527	73,785	74,499
Unallocated depreciation	976	1,448	1,402	1,755	2,023	2,150	2,137	2,680	2,673	2,766
Total governmental activities: expenses	7,405,905	7,553,349	7,641,735	7,584,861	7,475,811	7,868,604	9,209,160	9,296,260	10,609,714	11,177,596
Business-type activities:										
Unemployment insurance	1,336,043	2,233,382	1,767,632	1,286,839	867,600	552,246	380,166	342,279	313,306	297,532
Housing	44,382	57,342	83,467	50,979	34,247	31,954	23,442	27,099	19,316	23,582
Water loans	6,218	14,697	16,476	8,249	8,942	7,837	6,372	4,962	4,802	7,017
Workers' compensation and safety	26,801	26,084	29,642	27,706	28,685	26,715	27,644	31,024	30,011	39,276
Higher education tuition	13,103	14,051	18,959	26,067	25,081	21,325	25,768	25,108	23,383	11,293
Other	16,967	23,175	28,905	26,187	32,107	32,944	30,263	31,471	32,181	31,487
Total business-type activities expenses	1,443,514	2,368,731	1,945,081	1,426,027	996,662	673,021	493,655	461,943	422,999	410,187
Total primary government expenses	\$ 8,849,419	\$ 9,922,080	\$ 9,586,816	\$ 9,010,888	\$ 8,472,473	\$ 8,541,625	\$ 9,702,815	\$ 9,758,203	\$ 11,032,713	\$ 11,587,783

Table 2 - Changes in Net Position

Last Ten Fiscal Years, (Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental activities:										
<i>Charges for services:</i>										
General government	\$ 281,997	\$ 285,927	\$ 301,856	\$ 183,278	\$ 180,169	\$ 174,265	\$ 172,468	\$ 180,648	\$ 194,111	\$ 212,509
Health and social services	141,473	131,408	156,698	212,730	212,310	172,459	222,917	-	-	-
Health services (c)	-	-	-	-	-	-	-	98,107	106,150	183,740
Social services (c)	-	-	-	-	-	-	-	139,256	137,574	49,653
Law, justice and public safety	252,755	236,004	234,385	253,431	267,060	273,895	295,582	301,894	316,046	263,957
Other	118,668	143,689	177,342	145,116	128,126	146,567	138,010	165,741	148,229	190,811
Operating grants and contributions	2,544,032	3,141,986	3,050,092	3,091,556	3,116,377	3,416,382	4,337,546	4,791,688	5,076,398	5,274,341
Capital grants and contributions	19,608	56,719	164,711	73,749	56,003	9,349	10,385	12,503	31,458	21,998
Total governmental activities: program revenues	3,358,533	3,995,733	4,085,084	3,959,860	3,960,045	4,192,917	5,176,908	5,689,837	6,009,966	6,197,009
Business-type activities:										
<i>Charges for services:</i>										
Unemployment insurance	1,460	1,669	1,587	1,544	1,556	1,393	1,753	2,974	975	3,442
Housing	26,604	23,693	21,385	20,105	19,840	16,003	17,058	18,934	19,450	22,252
Water loans	8,648	8,409	8,370	8,371	8,873	8,924	8,233	8,755	8,679	9,581
Workers' compensation and safety	38,955	30,144	35,071	37,946	34,322	40,671	34,804	38,639	43,216	54,130
Higher education tuition (a)	6,222	8,222	9,284	14,065	20,074	22,063	18,643	19,369	17,933	13,934
Other	29,504	23,352	30,854	25,856	32,358	32,210	31,394	31,475	32,969	30,559
Operating grants and contributions (a)	519,401	1,327,044	1,242,754	848,585	503,960	196,653	75,716	58,795	83,365	82,657
Total business-type activities: program revenues	630,794	1,422,533	1,349,305	956,472	620,983	317,917	187,601	178,941	206,587	216,555
Total primary government program revenues	\$ 3,989,327	\$ 5,418,266	\$ 5,434,389	\$ 4,916,332	\$ 4,581,028	\$ 4,510,834	\$ 5,364,509	\$ 5,868,778	\$ 6,216,553	\$ 6,413,564
Net (Expense)/Revenue										
Governmental activities	\$ (4,047,372)	\$ (3,557,616)	\$ (3,556,651)	\$ (3,625,001)	\$ (3,515,766)	\$ (3,675,687)	\$ (4,032,252)	\$ (3,606,423)	\$ (4,599,748)	\$ (4,980,587)
Business-type activities	(812,720)	(946,198)	(595,776)	(469,555)	(375,679)	(355,104)	(306,054)	(283,002)	(216,412)	(193,632)
Total primary government net expense	\$ (4,860,092)	\$ (4,503,814)	\$ (4,152,427)	\$ (4,094,556)	\$ (3,891,445)	\$ (4,030,791)	\$ (4,338,306)	\$ (3,889,425)	\$ (4,816,160)	\$ (5,174,219)

Table 2 - Changes in Net Position

Last Ten Fiscal Years, (Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales and use taxes	\$ 943,787	\$ 870,474	\$ 931,911	\$ 967,374	\$ 1,027,124	\$ 1,085,656	\$ 1,160,968	\$ 1,219,151	\$ 1,285,247	\$ 1,340,985
Gaming taxes	883,054	844,470	850,021	884,928	901,085	922,999	906,382	910,684	896,571	868,923
Modified business taxes	281,605	381,300	378,971	373,156	386,928	382,976	413,749	562,867	572,873	584,212
Insurance premium taxes	241,252	233,280	233,334	238,083	252,195	256,587	301,226	301,368	358,499	394,543
Lodging taxes (d)	-	-	-	-	-	-	-	167,159	178,846	179,951
Cigarette taxes (d)	-	-	-	-	-	-	-	153,033	180,677	160,665
Commerce taxes (d)	-	-	-	-	-	-	-	143,508	198,322	205,013
Property and transfer taxes	278,881	266,878	231,758	215,649	215,211	209,784	219,188	238,192	247,939	277,987
Motor and special fuel taxes	272,614	268,554	267,649	267,181	269,232	269,544	277,305	289,909	299,426	316,780
Other taxes	407,469	642,979	688,752	696,431	685,650	688,399	833,960	582,331	680,738	635,151
Unrestricted investment earnings	9,026	(1,246)	(4,182)	(11,543)	2,892	5,462	14,780	10,352	2,646	10,864
Other taxes	148,321	146,879	214,277	300,430	229,733	160,298	231,042	267,350	207,338	203,347
Contributions to permanent funds	7,019	8,165	6,637	6,705	5,376	5,908	9,038	7,480	9,586	10,005
Special item - termination of project construction	-	-	-	-	-	-	-	-	-	(16,054)
Transfers	23,912	19,361	24,044	(3,009)	(22,229)	6,689	(147,100)	(127,364)	(146,901)	(137,005)
Total governmental activities:	3,496,940	3,681,094	3,823,172	3,935,385	3,953,197	3,994,302	4,220,538	4,726,020	4,971,807	5,035,367
Business-type activities:										
Other taxes	342,588	314,657	403,509	515,402	565,925	537,372	555,187	566,551	624,242	653,150
Other	-	-	-	-	212	-	-	-	-	-
Special item	-	-	-	-	-	330	5,000	-	-	-
Transfers	(23,912)	(19,361)	(24,044)	3,009	22,229	(6,689)	147,100	127,364	146,901	137,005
Total business-type activities:	318,676	295,296	379,465	518,411	588,366	531,013	707,287	693,915	771,143	790,155
Total primary government	\$ 3,815,616	\$ 3,976,390	\$ 4,202,637	\$ 4,453,796	\$ 4,541,563	\$ 4,525,315	\$ 4,927,825	\$ 5,419,935	\$ 5,742,950	\$ 5,825,522
Change in Net Position										
Governmental activities:	\$ (550,432)	\$ 123,478	\$ 266,521	\$ 310,384	\$ 437,431	\$ 318,615	\$ 188,286	\$ 1,119,597	\$ 372,059	\$ 54,780
Business-type activities:	(494,044)	(650,902)	(216,311)	48,856	212,687	175,909	401,233	410,913	554,731	596,523
Total primary government	\$ (1,044,476)	\$ (527,424)	\$ 50,210	\$ 359,240	\$ 650,118	\$ 494,524	\$ 589,519	\$ 1,530,510	\$ 926,790	\$ 651,303

(a) Revised figures for years 2009-2013.

(b) Beginning with fiscal year 2015, educational expenditures are reported separately for K-12 and higher education; accordingly, fiscal years 2009 through 2014 have been revised to report these separately.

(c) Beginning with fiscal year 2016, health and social services expenditures are reported separately, and educational K-12 expenditures are reported separately for state support and for administrative.

(d) Beginning with fiscal year 2016, lodging, cigarette and commerce taxes revenues are reported separately (previously included with other taxes).

Table 3 - Fund Balances of Governmental Funds

Last Ten Fiscal Years, (Modified Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 13,512	\$ 12,463	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	179,310	222,095	-	-	-	-	-	-	-	-
Nonspendable	-	-	18,456	23,801	33,113	39,255	35,134	26,953	28,248	27,621
Restricted	-	-	73,687	61,049	59,359	65,342	62,114	78,094	83,172	77,803
Committed	-	-	270,568	281,751	345,248	306,050	315,131	419,532	542,892	682,810
Unassigned	-	-	(115,965)	(96,272)	(66,701)	(135,789)	(205,092)	(126,417)	(97,625)	(240,488)
Total general fund	\$ 192,822	\$ 234,558	\$ 246,746	\$ 270,329	\$ 371,019	\$ 274,858	\$ 207,287	\$ 398,162	\$ 556,687	\$ 547,746
All Other Governmental Funds										
Reserved	\$ 947,719	\$ 1,078,045	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Unreserved, reported in:</i>										
Special revenue funds	396,520	203,466	-	-	-	-	-	-	-	-
Capital projects funds	73,892	59,944	-	-	-	-	-	-	-	-
Permanent funds	20	20	-	-	-	-	-	-	-	-
Nonspendable	-	-	607,134	614,697	604,111	599,746	578,695	450,349	451,933	466,408
Restricted	-	-	414,040	276,666	324,473	597,389	544,993	736,953	768,709	663,104
Committed	-	-	188,796	212,311	245,888	235,265	232,070	278,740	341,572	309,069
Unassigned	-	-	(191)	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,418,151	\$ 1,341,475	\$ 1,209,779	\$ 1,103,674	\$ 1,174,472	\$ 1,432,400	\$ 1,355,758	\$ 1,466,042	\$ 1,562,214	\$ 1,438,581

Note: GASB Statement 54 changed the presentation of fund balance categories and classifications beginning in fiscal year 2011.



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Table 4 - Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years, (Modified Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Gaming taxes, fees, licenses	\$ 880,573	\$ 842,359	\$ 849,733	\$ 884,331	\$ 896,685	\$ 927,824	\$ 908,491	\$ 910,308	\$ 897,965	\$ 863,297
Sales taxes	953,112	870,539	925,899	965,060	1,024,624	1,081,735	1,161,893	1,214,113	1,282,745	1,337,930
Modified business taxes	277,516	385,110	381,901	369,661	386,610	384,886	411,914	561,778	575,233	581,844
Insurance premium taxes	238,524	233,906	234,831	236,787	248,512	263,532	292,665	309,113	358,482	394,263
Lodging taxes (e)	-	-	-	-	-	-	-	167,159	178,846	179,951
Cigarette taxes (e)	-	-	-	-	-	-	-	153,033	180,677	160,665
Commerce taxes (e)	-	-	-	-	-	-	-	143,508	197,827	201,927
Property and transfer taxes	278,881	266,878	231,758	215,649	215,211	209,784	219,189	238,192	247,939	277,987
Motor and special fuel taxes	272,614	268,554	267,649	267,181	269,232	269,543	277,305	289,909	299,426	316,780
Other taxes	387,449	620,543	664,427	657,138	685,948	692,192	835,552	584,055	660,972	615,172
Intergovernmental	2,672,751	3,273,266	3,372,565	3,335,558	3,340,627	3,552,327	4,518,221	4,996,931	5,224,501	5,374,516
Licenses, fees and permits	419,514	452,838	497,847	490,240	487,123	508,401	536,486	599,450	609,908	634,365
Sales and charges for services	85,401	84,422	81,923	85,211	87,595	90,322	105,241	109,063	108,994	107,089
Interest and investment income	44,831	37,855	31,853	22,599	23,496	25,397	22,082	24,017	15,372	38,050
Settlement income	50,062	41,963	39,517	40,291	147,071	40,120	39,788	39,370	40,427	43,232
Land sales	663	965	560	397	632	1,933	4,922	3,564	5,823	5,993
Other	141,808	112,728	143,461	160,921	151,708	83,277	112,395	92,587	146,874	93,446
Total revenues	6,703,699	7,491,926	7,723,924	7,731,024	7,965,074	8,131,273	9,446,144	10,436,150	11,032,011	11,226,507
Expenditures										
General government	166,909	137,994	141,366	134,889	143,135	112,757	153,682	158,394	172,687	212,231
Health and social services(d)	2,510,530	2,833,205	3,009,386	3,096,457	3,264,884	3,593,828	4,862,598	-	-	-
Health services (d)	-	-	-	-	-	-	-	3,535,984	3,948,549	4,132,568
Social services (d)	-	-	-	-	-	-	-	1,603,233	1,633,745	1,680,854
Education and support services (c)	57,815	57,196	53,796	53,959	53,119	30,845	-	-	-	-
Education - K-12 (c)	-	-	-	-	-	-	1,891,259	-	-	-
Education - K-12 state support (d)	-	-	-	-	-	-	-	1,460,123	1,478,773	1,612,584
Education - K-12 administrative (d)	-	-	-	-	-	-	-	524,747	589,012	562,281
Education - higher education (c)	-	-	-	-	-	-	610,543	562,901	594,760	663,045
Law, justice and public safety	628,500	633,890	609,230	604,364	595,649	622,066	633,559	688,616	712,895	754,994
Regulation of business	105,631	107,145	109,928	91,792	80,594	293,438	253,132	298,624	295,719	312,993
Transportation	747,425	691,931	751,647	846,335	578,231	452,821	635,049	816,275	946,857	994,227
Recreation and resource development	135,272	130,800	129,770	125,809	121,330	132,682	141,177	144,003	161,992	179,095
Intergovernmental (b)	2,706,025	2,704,690	2,716,157	2,569,693	2,592,985	2,638,028	-	-	-	-
Capital outlay	176,599	59,520	41,105	34,222	61,330	29,741	39,564	43,534	49,295	69,037
<i>Debt service:</i>										
Principal	183,976	176,982	194,920	171,004	163,889	166,021	199,845	383,842	165,543	167,409
Interest, fiscal charges	145,169	140,495	135,842	125,978	116,183	106,871	103,998	90,953	99,510	97,788
Debt issuance costs	2,080	1,734	1,300	1,795	1,901	2,282	1,941	3,584	1,761	1,680
Arbitrage payment	-	-	-	22	180	730	24	-	-	-
Total Expenditures	7,565,931	7,675,582	7,894,447	7,856,319	7,773,410	8,182,110	9,526,371	10,314,813	10,851,098	11,440,786
Excess (deficiency) of revenues over (under) expenditures	(862,232)	(183,656)	(170,523)	(125,295)	191,664	(50,837)	(80,227)	121,337	180,913	(214,279)

Table 4 - Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years, (Modified Accrual Basis of Accounting, Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Capital leases	20	18,209	408	-	-	-	-	-	-	-
Sale of general obligation bonds	300,384	109,244	22,655	42,020	-	141,045	78,335	272,070	205,371	225,020
Sale of general obligation refunding bonds	-	33,746	117,415	243,080	353,470	4,125	213,270	347,253	12,107	3,490
Premium on general obligation bonds	18,494	3,928	13,172	40,530	52,780	21,012	54,686	114,212	24,749	17,573
Payment to refunded bond agent	-	(35,677)	(128,529)	(279,916)	(404,178)	(4,425)	(261,893)	(419,993)	(14,697)	(3,996)
Sale of certificates of participation	-	-	-	-	-	50,445	-	-	-	-
Sale of refunding certificates of participation	-	7,900	-	-	-	35,785	-	-	3,730	-
Premium (discount) on certificates of participation	-	743	-	-	-	2,794	-	-	-	-
Payment to refunded certificates of participation agent	-	(8,466)	-	-	-	(42,799)	-	-	(4,071)	-
Sale of capital assets	684	92	89	103	99	335	365	641	201	628
Transfers in	476,147	358,113	221,167	156,037	194,136	192,193	160,472	322,645	240,486	196,885
Transfers out	(454,439)	(339,116)	(195,362)	(159,081)	(216,483)	(187,907)	(309,220)	(457,006)	(389,318)	(335,087)
Total other financing sources (uses)	341,290	148,716	51,015	42,773	(20,176)	212,603	(63,985)	179,822	78,558	104,513
Net change in fund balances	\$ (520,942)	\$ (34,940)	\$ (119,508)	\$ (82,522)	\$ 171,488	\$ 161,766	\$ (144,212)	\$ 301,159	\$ 259,471	\$ (109,766)
Total expenditures	\$ 7,565,931	\$ 7,675,582	\$ 7,894,447	\$ 7,856,319	\$ 7,773,410	\$ 8,182,110	\$ 9,526,371	\$ 10,314,813	\$ 10,851,098	\$ 11,440,786
Less: Capitalized assets included in the functional categories	227,812	209,123	245,790	221,991	232,772	271,655	252,136	735,171	172,824	243,230
Total noncapital expenditures	\$ 7,338,119	\$ 7,466,459	\$ 7,648,657	\$ 7,634,328	\$ 7,540,638	\$ 7,910,455	\$ 9,274,235	\$ 9,579,642	\$ 10,678,274	\$ 11,197,556
Debt service (principal and interest) as a percentage of noncapital expenditures (a)	4.49 %	4.25 %	4.32 %	3.89 %	3.71 %	3.45 %	3.28 %	4.96 %	2.48 %	2.37 %

(a) The percentages have been revised for fiscal years 2009 through 2010 to only include debt service principal and interest in the calculation.

(b) Beginning with fiscal year 2015, intergovernmental expenditures are classified by functional expenditures.

(c) Beginning with fiscal year 2015, educational expenditures are reported separately for K-12 and higher education.

(d) Beginning with fiscal year 2016, health and social services expenditures are reported separately, and educational K-12 expenditures are reported separately for state support and for administrative.

(e) Beginning with fiscal year 2016, lodging, cigarette and commerce taxes revenues are reported separately (previously included with other taxes).

Table 5 - Taxable Sales by County

Last Ten Fiscal Years, (Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Taxable Sales by County										
Carson City	\$ 761,379	\$ 678,626	\$ 735,161	\$ 756,079	\$ 779,297	\$ 804,368	\$ 892,530	\$ 961,717	\$ 1,055,090	\$ 1,144,377
Churchill	321,713	251,257	249,112	320,188	387,570	252,675	283,497	282,998	309,285	354,371
Clark	31,378,242	27,969,288	29,046,720	31,080,881	32,566,665	35,040,892	37,497,074	39,242,730	40,888,477	42,569,372
Douglas	584,679	537,187	532,984	557,660	592,823	599,623	653,187	663,490	709,590	780,079
Elko	1,101,164	1,093,158	1,477,347	1,545,691	1,595,351	1,426,133	1,437,625	1,483,842	1,450,175	1,495,116
Esmeralda	9,226	6,551	11,832	20,399	19,806	16,826	18,193	15,315	14,461	13,726
Eureka	285,942	266,356	304,276	367,340	370,492	315,756	260,130	235,117	292,067	314,095
Humboldt	498,791	533,667	748,153	740,656	921,112	780,774	577,537	486,077	449,981	507,810
Lander	264,109	220,348	249,321	443,458	440,677	302,691	308,198	274,632	283,334	309,919
Lincoln	25,257	25,871	33,116	50,417	30,055	29,501	28,955	28,159	30,639	31,002
Lyon	340,284	290,241	300,843	346,511	305,525	356,890	396,525	380,805	456,071	490,415
Mineral	37,247	36,280	42,181	57,696	66,463	62,661	74,178	83,582	73,195	48,853
Nye	427,505	397,570	466,836	498,130	832,077	624,761	497,920	547,020	583,443	672,275
Pershing	62,892	65,681	78,096	106,443	96,442	94,633	82,473	91,181	113,424	118,014
Storey	59,578	48,299	61,863	70,859	77,729	108,434	246,041	240,804	1,609,711	1,275,451
Washoe	5,707,791	5,176,982	5,282,935	5,522,605	5,824,726	6,370,685	6,817,589	7,550,466	7,989,009	8,531,253
White Pine	220,815	174,705	314,235	469,737	296,598	253,042	275,884	220,360	239,789	291,695
Total	\$ 42,086,614	\$ 37,772,067	\$ 39,935,011	\$ 42,954,750	\$ 45,203,408	\$ 47,440,345	\$ 50,347,536	\$ 52,788,295	\$ 56,547,741	\$ 58,947,823

The State receives a portion of sales taxes at a rate of 2% on taxable sales.

Source: Department of Taxation

Table 6 - Principal Sales Tax Payers by Business Type

Current Year and Nine Years Ago, (Expressed in Thousands)

Business Type	Fiscal Year 2009			Fiscal Year 2018		
	Taxable Sales	Percentage of Total Taxable Sales	Tax Liability	Taxable Sales	Percentage of Total Taxable Sales	Tax Liability
Food services and drinking places	\$ 6,536,724	15.5%	\$ 130,734	\$ 12,556,114	21.3%	\$ 251,122
Motor vehicle and parts dealers	3,647,027	8.7%	72,941	6,903,947	11.7%	138,079
General merchandise stores	4,040,207	9.6%	80,804	4,935,123	8.4%	98,702
Merchant wholesalers, durable goods	3,355,716	8.0%	67,114	4,571,002	7.8%	91,420
Clothing and clothing accessories stores	2,775,625	6.6%	55,513	3,762,701	6.4%	75,254
Building material, garden equipment, supplies	1,815,904	4.3%	36,318	2,706,155	4.6%	54,123
Rental and leasing services	1,655,590	3.9%	33,112	2,011,403	3.4%	40,228
Food and beverage stores	1,686,561	4.0%	33,731	1,909,477	3.2%	38,190
Professional scientific, and technical services	-	-	-	1,404,143	2.4%	28,083
Electronics and appliance stores	-	-	-	1,379,083	2.3%	27,582
Accommodation	1,770,277	4.2%	35,406	-	-	-
Health and personal care stores	1,745,862	4.1%	34,917	-	-	-
Total	<u>\$ 29,029,493</u>	<u>68.9%</u>	<u>\$ 580,590</u>	<u>\$ 42,139,148</u>	<u>71.5%</u>	<u>\$ 842,783</u>

Source: Department of Taxation

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the source of the State's revenue.

Table 7 - Ratios of Outstanding Debt by Type

Last Ten Fiscal Years, (Expressed in Thousands, Except for Per Capita)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
General obligation bonds	\$ 2,079,805	\$ 2,067,615	\$ 1,952,885	\$ 1,870,455	\$ 1,754,520	\$ 1,703,840	\$ 1,607,930	\$ 1,358,430	\$ 1,284,172	\$ 1,269,430
Special obligation bonds	722,880	668,840	612,045	557,735	497,650	527,450	486,140	587,095	706,165	785,085
Premiums (discounts)	109,407	103,270	104,921	118,509	143,968	146,792	176,725	221,726	210,383	191,869
Total bonds payable	2,912,092	2,839,725	2,669,851	2,546,699	2,396,138	2,378,082	2,270,795	2,167,251	2,200,720	2,246,384
Certificates of participation	58,030	56,080	55,475	53,815	52,000	94,455	91,935	89,225	84,994	80,829
Premiums (discounts)	-	690	591	492	339	2,956	2,720	1,491	1,048	646
Total certificates of participation	58,030	56,770	56,066	54,307	52,339	97,411	94,655	90,716	86,042	81,475
Obligations under capital leases	17,916	33,846	30,970	28,395	25,096	25,094	22,826	20,177	17,364	18,490
Total governmental activities	2,988,038	2,930,341	2,756,887	2,629,401	2,473,573	2,500,587	2,388,276	2,278,144	2,304,126	2,346,349
Business-type Activities										
General obligation bonds	113,055	105,060	108,975	101,680	90,720	83,025	73,370	69,480	60,103	60,430
Special obligation bonds	911,783	994,044	920,508	810,892	739,797	1,156,634	1,008,858	823,288	641,830	525,491
Premiums (discounts)	1,987	1,971	2,465	4,984	5,942	55,914	42,691	15,688	5,502	2,404
Total business-type activities	1,026,825	1,101,075	1,031,948	917,556	836,459	1,295,573	1,124,919	908,456	707,435	588,325
Total primary government	\$ 4,014,863	\$ 4,031,416	\$ 3,788,835	\$ 3,546,957	\$ 3,310,032	\$ 3,796,160	\$ 3,513,195	\$ 3,186,600	\$ 3,011,561	\$ 2,934,674
Debt as a Percentage of Personal Income (a)	3.79 %	4.18 %	3.82 %	3.46 %	3.07 %	3.50 %	3.06 %	2.63 %	2.35 %	2.12 %
Amount of Debt per Capita (b)	\$ 1,513	\$ 1,501	\$ 1,402	\$ 1,305	\$ 1,201	\$ 1,361	\$ 1,238	\$ 1,102	\$ 1,024	\$ 979

Notes: Details regarding the State's debt can be found in the notes to the financial statements.

See table 11 for personal income and population data.

Debt as a Percentage of Personal Income is based on prior year Personal Income.

Amount of Debt per Capita is based on prior year Population.

(a) Revised percentages for 2013 through 2015.

(b) Revised amounts for 2014 and 2015.

Table 8 - Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years, (Expressed in Thousands, Except for Per Capita)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
General obligation bonds	\$ 2,079,805	\$ 2,067,615	\$ 1,952,885	\$ 1,870,455	\$ 1,754,520	\$ 1,703,840	\$ 1,607,930	\$ 1,358,430	\$ 1,284,172	\$ 1,269,430
Premiums (discounts)	69,950	68,356	74,551	86,292	96,909	92,714	129,441	132,082	116,221	101,377
Subtotal	2,149,755	2,135,971	2,027,436	1,956,747	1,851,429	1,796,554	1,737,371	1,490,512	1,400,393	1,370,807
Certificates of participation	9,335	7,900	7,900	6,935	5,920	4,855	3,730	2,550	1,305	-
Premiums (discounts)	-	689	591	492	394	295	197	36	9	-
Subtotal	9,335	8,589	8,491	7,427	6,314	5,150	3,927	2,586	1,314	-
Business-type Activities										
General obligation bonds	113,055	105,060	108,975	101,680	90,720	83,025	73,370	69,480	60,103	60,430
Premiums (discounts)	1,987	1,822	2,338	4,870	5,853	5,091	4,209	2,671	1,837	2,012
Subtotal	115,042	106,882	111,313	106,550	96,573	88,116	77,579	72,151	61,940	62,442
Total general bonded debt	\$ 2,274,132	\$ 2,251,442	\$ 2,147,240	\$ 2,070,724	\$ 1,954,316	\$ 1,889,820	\$ 1,818,877	\$ 1,565,249	\$ 1,463,647	\$ 1,433,249
Actual Taxable Property Value	\$ 410,130,698	\$ 341,886,423	\$ 264,840,276	\$ 264,391,220	\$ 234,900,598	\$ 239,048,328	\$ 260,130,702	\$ 283,624,300	\$ 302,376,818	\$ 342,368,616
Percentage of Actual Taxable Value of Property (b)	0.55 %	0.66 %	0.81 %	0.84 %	0.83 %	0.79 %	0.70 %	0.55 %	0.48 %	0.42 %
Debt per Capita (a)(b)	\$ 857	\$ 839	\$ 794	\$ 762	\$ 709	\$ 677	\$ 641	\$ 541	\$ 498	\$ 478

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

Only the general obligation certificates of participation subject to the debt limitation are included above.

(a) See Table 11 for population data.

(b) Revised for fiscal years 2009 through 2014 to exclude special obligation bonds.

Table 9 - Legal Debt Margin Information

Last Ten Fiscal Years, (Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 2,482,138	\$ 1,900,366	\$ 1,756,111	\$ 1,671,513	\$ 1,701,164	\$ 1,854,550	\$ 2,028,293	\$ 2,166,631	\$ 2,294,555	\$ 2,467,971
Total debt applicable to limit	1,405,781	1,410,211	1,342,660	1,293,386	1,178,185	1,151,010	1,127,220	1,082,845	1,034,015	1,025,895
Legal debt margin	<u>\$ 1,076,357</u>	<u>\$ 490,155</u>	<u>\$ 413,451</u>	<u>\$ 378,127</u>	<u>\$ 522,979</u>	<u>\$ 703,540</u>	<u>\$ 901,073</u>	<u>\$ 1,083,786</u>	<u>\$ 1,260,540</u>	<u>\$ 1,442,076</u>
Legal debt margin as a percentage of the debt limit	43.36 %	25.79 %	23.54 %	22.62 %	30.74 %	37.94 %	44.43 %	50.02 %	54.94 %	58.43 %

Computation of Legal Debt Margin at June 30, 2018:

Assessed value of taxable property at June 30, 2018 (a)		\$ 123,398,563
Debt limitation (2% of assessed value)		\$ 2,467,971
General Obligation Bonds subject to limit	\$ 1,025,895	
Certificates of participation	80,829	
<i>Less obligations exempt from debt margin:</i>		
Lease revenue certificates of participation	(80,829)	
Debt subject to debt limitation		(1,025,895)
Legal debt margin at June 30, 2018		<u>\$ 1,442,076</u>

Note:

- (a) On June 30 of each year, the most current assessed value available is the assessed value used for calculating and assessing taxes for the following fiscal year. Therefore, the debt limitation as of June 30 of each year is calculated using the assessed value for the following fiscal year. For purposes of this computation, assessed valuation includes 35% of actual taxable property value, plus statewide redevelopment agency assessed values.

Table 10 - Pledged Revenue Coverage

Last Ten Fiscal Years, (Expressed in Thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Highway Improvement Revenue Bonds										
Revenue - fuel taxes	\$ 269,479	\$ 265,487	\$ 264,699	\$ 264,369	\$ 266,564	\$ 266,872	\$ 274,838	\$ 287,571	\$ 294,091	\$ 305,781
<i>Debt Service</i>										
Principal	\$ 51,420	\$ 54,040	\$ 56,795	\$ 50,835	\$ 53,300	\$ 56,220	\$ 41,310	\$ 45,600	\$ 48,595	\$ 46,985
Interest (f)	37,157	33,876	31,136	28,450	25,011	22,422	24,345	20,252	31,325	31,495
Total	\$ 88,577	\$ 87,916	\$ 87,931	\$ 79,285	\$ 78,311	\$ 78,642	\$ 65,655	\$ 65,852	\$ 79,920	\$ 78,480
Coverage (c)	3.04	3.02	3.01	3.33	3.40	3.39	4.19	4.37	3.68	3.90
Unemployment Compensation Bonds										
Revenue - special bond contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,003	\$ 191,548	\$ 152,837	\$ 197,230	\$ 35,285
<i>Debt service</i>										
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,590	\$ 131,165	\$ 151,100	\$ 128,045
Interest	-	-	-	-	-	13,644	23,360	18,881	12,381	3,201
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,644	\$ 161,950	\$ 150,046	\$ 163,481	\$ 131,246
Coverage (c)	N/A	N/A	N/A	N/A	N/A	4.25	1.18	1.02	1.21	0.27
Mortgage Revenue Bonds										
Revenue (a)	\$ 70,051	\$ 42,123	\$ 126,957	\$ 109,194	\$ 83,366	\$ 100,729	\$ 58,737	\$ 78,571	\$ 72,727	\$ 138,354
Expenses (b)	5,277	6,548	7,610	15,751	8,867	9,481	4,043	9,674	3,471	3,434
Net available revenues	\$ 64,774	\$ 35,575	\$ 119,347	\$ 93,443	\$ 74,499	\$ 91,248	\$ 54,694	\$ 68,897	\$ 69,256	\$ 134,920
<i>Debt service</i>										
Principal (d)	\$ 33,592	\$ 67,079	\$ 132,536	\$ 157,962	\$ 71,095	\$ 151,432	\$ 80,745	\$ 71,337	\$ 101,485	\$ 124,888
Interest	36,354	33,236	29,111	26,444	23,226	17,882	15,149	13,298	13,258	15,619
Total	\$ 69,946	\$ 100,315	\$ 161,647	\$ 184,406	\$ 94,321	\$ 169,314	\$ 95,894	\$ 84,635	\$ 114,743	\$ 140,507
Coverage (c)	0.93	0.35	0.74	0.51	0.79	0.54	0.57	0.81	0.60	0.96
Lease Revenue Certificates of Participation										
Revenue - lease rent (net)	\$ 1,614	\$ 2,961	\$ 3,045	\$ 2,878	\$ 2,972	\$ 4,098	\$ 2,996	\$ 4,335	\$ 5,190	\$ 6,719
Assets - held by the trustee (e)	4,779	4,837	4,643	4,709	4,558	46,902	12,442	1,736	35	-
Total	\$ 6,393	\$ 7,798	\$ 7,688	\$ 7,587	\$ 7,530	\$ 51,000	\$ 15,438	\$ 6,071	\$ 5,225	\$ 6,719
<i>Debt Service</i>										
Principal	\$ 470	\$ 515	\$ 605	\$ 695	\$ 800	\$ 1,795	\$ 1,395	\$ 1,530	\$ 2,721	\$ 2,860
Interest	2,245	2,229	2,212	2,188	2,163	3,418	4,128	4,084	3,915	3,839
Total	\$ 2,715	\$ 2,744	\$ 2,817	\$ 2,883	\$ 2,963	\$ 5,213	\$ 5,523	\$ 5,614	\$ 6,636	\$ 6,699
Coverage (c)	2.35	2.84	2.73	2.63	2.54	9.78	2.80	1.08	0.79	1.00

Notes: Details regarding the State's outstanding debt can be found in the notes to the financial statements.

- (a) Consists of interest and investment income and principal collections of the Housing Division Enterprise Fund.
- (b) Consists of operating expenses less interest expense and depreciation.
- (c) Coverage equals net available revenues divided by total debt service.
- (d) Principal paid on mortgage revenue bonds is updated for years 2010 and 2011. There is no change to coverage ratio.
- (e) Assets - held by the trustee are the combination of additional lease rent, investment income, and bond proceeds.
- (f) Principal paid on highway improvement revenue bonds is updated for years 2012 and 2013 to exclude the par amount of bonds refunded.

Table 11 - Demographic and Economic Statistics

Last Ten Calendar Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Population										
Nevada (a)	2,653,630	2,684,665	2,703,230	2,718,586	2,754,874	2,790,366	2,838,281	2,890,845	2,940,058	2,998,039
Percentage change	3.4 %	1.2 %	0.7 %	0.6 %	1.3 %	1.3 %	1.7 %	1.9 %	1.7 %	2.0 %
United States (a)	304,093,966	306,771,529	309,326,295	311,721,632	314,102,623	316,427,395	318,907,401	321,418,820	323,127,513	325,719,178
Percentage change	0.8 %	0.9 %	0.8 %	0.8 %	0.8 %	0.7 %	0.8 %	0.8 %	0.5 %	0.8 %
Total Personal Income										
Nevada (in millions) (a)	\$ 105,824	\$ 96,430	\$ 99,092	\$ 102,612	\$ 107,930	\$ 108,504	\$ 114,923	\$ 121,096	\$ 128,090	\$ 138,386
Percentage change	1.9 %	(8.9)%	2.8 %	3.6 %	5.2 %	0.5 %	5.9 %	5.4 %	5.8 %	8.0 %
United States (in millions) (a)	\$ 12,451,660	\$ 11,852,715	\$ 12,417,659	\$ 13,233,436	\$ 13,904,485	\$ 14,068,960	\$ 14,801,624	\$ 15,463,981	\$ 15,912,777	\$ 16,820,250
Percentage change	6.9 %	(4.8)%	4.8 %	6.6 %	5.1 %	1.2 %	5.2 %	4.5 %	2.9 %	5.7 %
Per Capita Personal Income										
Nevada (a)	\$ 39,879	\$ 35,919	\$ 36,657	\$ 37,745	\$ 39,178	\$ 38,885	\$ 40,490	\$ 41,889	\$ 43,567	\$ 46,159
Percentage change	(1.5)%	(9.9)%	2.1 %	3.0 %	3.8 %	(0.7)%	4.1 %	3.5 %	4.0 %	5.9 %
United States (a)	\$ 40,947	\$ 38,637	\$ 40,144	\$ 42,453	\$ 44,267	\$ 44,462	\$ 46,414	\$ 48,112	\$ 49,246	\$ 51,640
Percentage change	6.1 %	(5.6)%	3.9 %	5.8 %	4.3 %	0.4 %	4.4 %	3.7 %	2.4 %	4.9 %
Labor Force and Employment										
Nevada Labor Force	1,373,462	1,369,891	1,350,309	1,385,872	1,378,876	1,372,862	1,393,639	1,425,711	1,427,114	1,462,955
Unemployed	91,450	161,270	200,772	187,732	152,468	135,071	107,856	96,159	81,106	73,583
Unemployment Rate (b)	6.7 %	11.8 %	14.9 %	13.5 %	11.1 %	9.8 %	7.7 %	6.7 %	5.7 %	5.0 %
United States Labor Force	154,287,000	154,142,000	153,889,000	153,617,000	154,975,000	155,389,000	155,922,000	157,130,000	159,187,000	160,320,000
Unemployed	8,924,000	14,265,000	14,825,000	13,747,000	12,506,000	11,460,000	9,617,000	8,296,000	7,751,000	6,982,000
Unemployment Rate (b)	5.8 %	9.3 %	9.6 %	8.9 %	8.1 %	7.4 %	6.2 %	5.3 %	4.9 %	4.4 %

Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Nevada Department of Employment, Training, and Rehabilitation**Note:** Total personal income is composed of wages and salaries, proprietors' income, personal interest and dividend income, rental income, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated by dividing total personal income by population.

(a) Revised estimates for 2012 through 2014.

(b) Revised percentage for 2015.

Table 12 - Principal Industries

Current Year and Nine Years Ago

	Calendar Year 2008		Calendar Year 2017	
	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment
Industry:				
Farm employment	4,953	0.31%	6,102	0.34%
Forestry, fishing, and related activities	1,659	0.10%	1,702	0.10%
Mining, quarrying, and oil and gas extraction	16,489	1.02%	20,673	1.16%
Utilities	4,852	0.30%	4,961	0.28%
Construction	135,790	8.39%	101,219	5.70%
Manufacturing	52,050	3.21%	54,344	3.06%
Wholesale trade	43,589	2.69%	41,214	2.32%
Retail trade	165,464	10.22%	176,676	9.95%
Transportation and warehousing	57,329	3.54%	92,139	5.19%
Information	20,052	1.24%	20,367	1.15%
Finance and insurance	83,569	5.16%	92,442	5.21%
Real estate, rental and leasing	100,676	6.22%	103,487	5.83%
Professional, scientific, and technical services	87,958	5.43%	96,868	5.45%
Management of companies and enterprises	22,176	1.37%	32,486	1.83%
Administrative and waste management services	101,940	6.30%	127,911	7.20%
Educational services	12,574	0.78%	17,259	0.97%
Health care and social assistance	104,826	6.47%	140,702	7.92%
Arts, entertainment and recreation	50,006	3.09%	55,622	3.13%
Accommodation and food services	312,076	19.28%	328,629	18.51%
Other services	67,537	4.17%	85,664	4.82%
Federal government, civilian	17,499	1.08%	19,208	1.08%
Military	15,686	0.97%	18,220	1.03%
State government	35,318	2.18%	36,512	2.06%
Local government	104,946	6.48%	101,322	5.71%
Total	1,619,014	100.00%	1,775,729	100.00%

Sources: US Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

Table 13 - School Enrollment

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public School Enrollment (a)										
Primary (Pre-K - 6)	240,453	235,295	273,724	240,851	244,559	249,015	253,267	258,617	261,450	269,370
Secondary (7 - 12) (b)	196,325	196,014	227,908	199,610	202,319	202,788	209,639	208,910	212,245	223,046
Total	436,778	431,309	501,632	440,461	446,878	451,803	462,906	467,527	473,695	492,416
Public Higher Education Enrollment (c)										
University of Nevada, Reno	12,583	12,770	13,289	13,583	13,721	14,468	15,762	16,916	16,745	17,291
University of Nevada, Las Vegas	19,545	20,086	19,719	18,580	18,499	19,269	20,301	21,352	21,963	22,514
Nevada State College	1,424	1,726	2,014	2,062	2,102	2,174	2,264	2,264	2,390	2,804
College of Southern Nevada	21,042	22,027	22,153	20,363	19,128	18,546	18,883	18,183	18,227	18,139
Great Basin College	1,786	1,994	1,939	1,742	1,659	1,717	1,728	1,835	1,881	1,824
Truckee Meadows Community College	6,796	7,307	7,125	6,351	6,339	6,166	6,098	6,196	5,851	5,740
Western Nevada College	2,489	2,889	2,930	2,358	2,240	2,157	2,229	2,213	2,047	2,138
Total	65,665	68,799	69,169	65,039	63,688	64,497	67,265	68,959	69,104	70,450

Sources: Nevada Department of Education and Nevada System of Higher Education

Note:

(a) Prior to fiscal year 2018, the Fall enrollment figures representing the subsequent fiscal year were reported instead of the Fall enrollment figures representing the current fiscal year. Enrollment figures have been realigned to reflect the current fiscal year and restated for 2009 through 2017.

(b) Secondary also includes 5th year seniors, adult education, home schooled, and special education beyond 12th grade.

(c) Prior to fiscal year 2018, the Fall semester enrollment figures representing the subsequent fiscal year were reported instead of the enrollment figures representing the current fiscal year. Enrollment figures have been realigned to reflect the fiscal year and restated for 2009 through 2017 using the Annual Average Full-Time Equivalent Enrollment report which takes into account the Fall, Spring and Summer semester enrollments.

Table 14 - Full-time Equivalent State Government Employees by Function

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	1,539	1,487	1,443	1,445	1,548	1,539	1,633	1,624	1,753	1,739
Health and social services (a)	5,823	6,151	6,061	5,937	5,925	6,239	6,394	-	-	-
Health services	-	-	-	-	-	-	-	1,786	1,720	1,754
Social services	-	-	-	-	-	-	-	4,805	4,856	4,859
Education - K-12 administrative	8,930	8,670	8,383	8,015	7,663	8,380	8,647	9,096	10,593	10,968
Law, justice and public safety	5,815	5,812	5,707	5,760	5,838	5,831	5,846	5,993	6,030	6,546
Regulation of business	1,363	1,374	1,309	1,284	1,289	1,363	1,338	1,440	1,480	1,440
Transportation	1,810	1,776	1,769	1,797	1,776	1,770	1,793	1,759	1,795	1,805
Recreation and resource development	1,172	1,172	1,142	1,134	1,145	1,181	1,169	1,213	1,203	1,249
Total	26,452	26,442	25,814	25,372	25,184	26,303	26,820	27,716	29,430	30,360

Sources: Nevada Department of Administration, Nevada System of Higher Education and Legislative Counsel Bureau

(a) Beginning in 2016, health and social services are presented separately, as health services and social services.

Table 15 - Operating Indicators by Function

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
<i>Department of Taxation</i>										
Number of sales and use tax audits	1,397	1,254	1,066	950	1,461	1,198	1,176	1,279	1,491	N/A
<i>Public Employees Benefits Program</i>										
Number of plan participants	44,232	43,943	42,830	40,615	40,176	40,635	41,449	42,259	43,158	43,711
Generic drug utilization (b)	72 %	72 %	78 %	78 %	80 %	81 %	82 %	81 %	81 %	82 %
<i>Department of Administration</i>										
Square feet of non-state owned space leased (major urban areas) (h)	1,393,872	1,393,872	1,466,102	1,408,617	1,511,207	1,526,579	1,606,012	1,614,381	1,713,599	1,754,521
Job applications processed	68,552	76,129	77,428	88,394	101,062	81,916	85,578	98,104	73,001	76,789
<i>Nevada State Library and Archives</i>										
Volumes (excludes documents and microfilm)	81,368	82,848	84,460	86,231	87,942	89,785	91,497	93,429	95,611	96,132
Government publications (U.S., Nevada and California)	833,705	849,112	851,855	854,727	862,764	864,898	869,670	871,764	877,330	877,823
Health and Social Services										
<i>Aging and Disability Services Division</i>										
Average monthly number of Developmental Services clients	4,876	5,086	5,346	5,550	5,694	5,865	6,184	6,433	6,643	6,881
<i>Health Care Financing & Policy</i>										
Nevada Medicaid - average monthly eligibles	197,313	240,528	279,840	303,214	315,434	392,315	558,787	608,246	637,780	654,936
NV Check-Up Program - average monthly enrollment (h)	21,713	21,713	21,193	21,296	21,132	21,771	22,606	22,630	25,699	27,300
<i>Division of Public and Behavioral Health</i>										
Women, Infants and Children Program participants (FFY)	793,166	870,398	887,796	896,465	884,946	874,462	860,468	839,845	793,782	749,365
Average monthly number of Mental Health clients	15,575	15,160	15,138	14,058	14,414	14,238	13,585	11,281	9,866	9,142
Average monthly number of Mental Health inpatients	253	225	211	209	221	277	301	498	517	509
<i>Division of Welfare and Supportive Services</i>										
Average monthly number of TANF recipients	22,556	29,084	30,854	29,331	28,837	32,239	31,928	26,717	24,537	25,744
Average monthly number of SNAP (Food Stamp) recipients	179,790	260,417	323,290	352,156	358,611	375,506	411,447	438,330	440,485	440,694
Percent of current child support owed that is collected (FFY) (e)	48 %	49 %	51 %	56 %	58 %	60 %	62 %	64 %	66 %	N/A
TANF recipient children receiving child care	19,119	17,407	20,269	19,883	18,742	20,122	23,346	19,434	25,408	30,000
Non-TANF children receiving child care	84,517	69,541	83,399	67,955	43,215	39,309	44,725	59,739	67,825	75,846
Applications for energy assistance received	38,674	38,674	42,611	38,643	36,764	41,190	40,726	41,448	36,186	35,452
Households served with energy assistance	25,458	25,458	32,544	20,484	26,008	24,348	27,370	26,936	26,452	24,704

Table 15 - Operating Indicators by Function

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Education and Support Services										
<i>Nevada Department of Education (a)</i>										
Percent of occupational education students receiving a diploma	95 %	88 %	85 %	75 %	70 %	85 %	74 %	84 %	85 %	91 %
Number of special education students receiving a high school diploma	703	560	747	725	677	745	799	884	1,849	1,949
Law, Justice, and Public Safety										
<i>The Supreme Court of Nevada</i>										
Cases filed (c)	2,169	2,267	2,514	2,406	2,362	2,426	2,351	2,533	2,718	N/A
Cases disposed (c)	2,238	2,468	2,217	2,248	2,392	2,582	2,663	2,387	1,594	N/A
Number of opinions written (c)	63	57	87	71	104	99	105	97	109	N/A
<i>Nevada Department of Corrections</i>										
Total admissions	5,781	5,801	5,971	5,818	5,666	5,749	5,937	6,286	6,413	6,432
Total releases	6,120	6,056	6,098	5,678	5,614	5,672	5,750	5,576	6,285	6,764
In-house population at year-end	12,742	12,591	12,458	12,564	12,665	12,824	12,999	13,685	13,768	13,426
<i>Department of Public Safety, Highway Patrol Division</i>										
Total number of DUI arrests (f)	4,676	3,981	3,846	3,286	3,177	2,977	3,156	3,095	2,825	2,932
Total number of safety inspections (f)	26,478	26,056	25,491	27,492	28,737	25,923	33,570	31,752	31,473	34,140
<i>Department of Motor Vehicles</i>										
Motor vehicle registrations	2,335,778	2,284,437	2,153,918	2,119,167	2,190,660	2,259,552	2,326,319	23,985,762	2,469,307	2,534,636
Regulation of Business										
<i>Nevada Department of Agriculture</i>										
Number of meals served in the Children & Adult Food Care Program (h)	4,330,289	4,330,289	4,063,461	4,592,266	4,724,529	4,800,386	4,527,435	4,600,171	5,864,600	6,473,857
Percent of K-12 students participating in the Nat'l School Lunch Program (b) (i) (o)	42 %	42 %	47 %	52 %	54 %	54 %	54 %	58 %	56 %	56 %
<i>Nevada Gaming Commission</i>										
Licenses issued & active at fiscal year-end	2,882	2,827	2,875	2,859	2,933	2,981	2,961	2,929	2,921	2,895
Licensed devices at fiscal year-end:										
Table and counter games (l)	6,019	5,985	5,948	5,887	5,676	5,731	5,818	5,700	5,643	5,494
Card games (l)	1,063	1,132	1,070	1,016	902	848	871	799	772	739
Slots (k)	194,180	190,135	190,217	184,150	179,776	176,073	174,548	169,723	165,880	164,413
<i>Department of Business and Industry</i>										
Units of affordable housing produced (b) (h)	792	792	773	592	727	1,117	848	1,019	946	811
Taxicab Authority notices of violation issued(m)	4,292	3,474	3,453	3,128	4,419	3,306	3,672	4,385	3,124	1,673
Taxicab Authority vehicle inspections made(m)	7,507	7,471	7,165	7,693	6,849	7,374	9,210	9,589	6,343	2,275
Number of worksite safety & health inspections	2,835	2,040	1,223	1,322	1,272	1,659	1,131	1,424	1,211	956
Number of boiler and elevator inspections	21,200	16,382	19,701	14,890	14,564	13,061	12,306	15,884	18,049	22,779
Insurance license and renewal applications processed (b) (h) (n)	39,065	39,065	42,506	42,748	41,382	47,995	51,006	53,652	55,024	60,424
<i>Governor's Office of Economic Development (j)</i>										
Number of projects requesting Community Development Block Grants (j)	21	46	28	42	35	40	36	32	40	37
Number of projects funded (j)	20	38	24	31	27	24	20	14	19	14

Table 15 - Operating Indicators by Function

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Transportation										
<i>Nevada Department of Transportation</i>										
Miles of highways - rural	4,802	4,782	4,782	4,750	4,726	4,726	4,735	4,735	4,419	4,428
Miles of highways - urban	618	618	618	633	654	667	662	663	715	718
Recreation and Resource Development										
<i>Commission on Tourism</i>										
Inquiries from advertising campaign (d)	363,677	196,058	199,471	222,197	162,117	31,998	23,542	42,913	39,804	39,547
Tourism web site visitors (d)	1,685,237	2,056,349	2,424,567	2,422,893	1,249,030	1,226,380	708,795	864,412	1,001,634	1,357,559
<i>Department of Conservation and Natural Resources</i>										
Percent of human caused wildland fires in NDF's jurisdiction investigated	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Number of State Park users (g) (k)	3,150,693	3,008,942	3,030,364	3,093,257	3,046,049	2,999,315	3,028,859	3,408,821	3,533,396	3,415,630

N/A = not available

Sources: Nevada Departments of Taxation, Administration, Health and Human Services, Education, Agriculture, Corrections, Motor Vehicles, Public Safety, Transportation, Business and Industry, Conservation and Natural Resources; Supreme Court of Nevada; Nevada Gaming Commission and Control Board; Public Employees Benefit Program; State of Nevada Executive Budgets.

Notes:

- (a) See table 13 for public school enrollment.
- (b) The Executive Budget is prepared biennially, and actual figures are only available for the base year (even numbered years). Base year figures have been used for odd numbered years in this table.
- (c) Data based on calendar year.
- (d) Revised figures provided by Commission on Tourism for 2009.
- (e) Revised figures for 2010, 2011.
- (f) Revised figures for 2011, 2012.
- (g) Data for 2009 through 2011 based on calendar year. Data for 2012 and thereafter based on fiscal year.
- (h) Data from Executive Budget prior to 2011.
- (i) Data from Executive Budget prior to 2012.
- (j) Governor's Office Of Economic Development moved under Regulation of Business in 2017.
- (k) Revised figure for 2016.
- (l) Revised description beginning in 2017.
- (m) Beginning June 2017 inspections were reduced from 4 to 1 annually.
- (n) Revised figures for 2014, 2017
- (o) Figure includes Pre-K beginning FY14

Table 16 - Capital Asset Statistics by Function

Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
State owned office space (square feet)	201,688	202,229	214,611	219,927	215,416	213,896	213,896	213,896	216,731	231,884
Vehicles (motor pool)	851	828	798	775	777	865	909	1,046	1,059	1,162
Health and Social Services										
State owned office space (square feet)	33,344	70,939	70,770	64,506	68,648	68,648	68,648	68,648	65,880	57,492
Mental health centers	5	5	5	5	5	5	5	5	4	4
Veterans' home	1	1	1	1	1	1	1	1	2	2
Youth correctional centers	3	2	2	2	2	3	3	3	3	3
Vehicles	232	219	193	183	167	155	147	145	133	123
Education and Support Services										
State owned office space (square feet)	27,949	28,031	28,200	28,200	28,200	28,200	28,200	28,200	28,200	26,937
Number of State museums	7	7	7	7	7	7	7	7	7	7
State library	1	1	1	1	1	1	1	1	1	1
Law, Justice and Public Safety										
State owned office space (square feet)	596,564	646,446	646,223	645,775	645,322	645,322	645,322	645,322	643,134	649,409
Supreme Court building	1	1	1	1	1	1	1	1	1	1
Department of Corrections facilities	20	20	20	19	19	19	19	19	19	19
Vehicles	1,217	1,199	1,161	1,191	1,118	1,128	1,088	1,066	931	964
Regulation of Business										
State owned office space (square feet)	107,547	106,027	102,038	102,478	102,245	103,765	103,765	103,765	109,710	71,369
Vehicles	293	323	263	253	242	259	249	262	251	253
Transportation										
State owned office space (square feet)	251,658	258,056	280,728	273,327	308,532	308,532	337,094	337,094	339,190	339,190
NDOT lane miles	13,055	13,055	13,055	13,368	13,613	13,622	13,628	13,708	13,083	14,083
NDOT bridges	1,092	1,092	1,109	1,116	1,101	1,154	1,164	1,164	1,165	1,208
NDOT vehicles	826	625	538	628	633	631	639	639	674	673
NDOT heavy equipment	1,886	2,033	2,058	1,943	1,931	1,918	1,926	1,926	1,926	1,932
NDOT maintenance stations (staffed)	45	45	42	42	42	44	44	44	44	44
Recreation and Resource Development										
State owned office space (square feet)	139,874	140,998	142,638	142,140	143,150	143,150	143,150	143,150	139,326	123,022
Number of State Parks	24	24	24	24	24	23	23	23	23	24
Acres of State Parks	145,750	145,750	145,750	145,745	145,760	146,225	146,225	148,625	148,625	158,440
Number of Fish Hatcheries	4	4	4	4	4	4	4	4	4	4
Wildlife Management Areas	11	11	11	11	11	11	11	11	11	11
Acres of Wildlife Management Areas	116,888	118,993	118,993	120,254	121,086	119,212	119,212	119,212	119,212	125,414
Vehicles	854	919	805	797	790	826	850	810	779	785

Sources: Nevada Attorney General's Office; Nevada Departments of Administration, Conservation and Natural Resources, Tourism and Cultural Affairs, Health & Human Services, Transportation and Wildlife



Sirocco

COMPLIANCE SECTION



Sirocco





**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2018, and the related notes to the financial statements, which collectively comprise the State of Nevada's basic financial statements, and have issued our report thereon dated January 7, 2019. Our report includes a reference to other auditors who audited the financial statements of the Nevada System of Higher Education, a discretely presented component unit; the Housing Division Enterprise Fund, the Self Insurance and Insurance Premiums Internal Service Funds, the Pension Trust Funds and the Other Employee Benefit Trust Fund – State Retirees' Fund, the Nevada College Savings Plan – Private Purpose Trust Fund, the Retirement Benefits Investment Fund – Investment Trust Fund, and the Division of Museums and History Dedicated Trust Fund – Special Revenue Fund, as described in our report on the State of Nevada's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by some of those auditors. 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*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

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deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as findings 2018-A and 2018-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and responses as finding 2018-C to be a significant deficiency.

Compliance and Other Matters

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

The State of Nevada's Response to Findings

The State of Nevada's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The State of Nevada's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Reno, Nevada
January 7, 2019

**STATE OF NEVADA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Findings Relating to the Financial Statements Reported in Accordance with GAGAS:

**2018-A Prior Period Adjustment of Unemployment Revenues
Material Weakness**

<i>Criteria:</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting revenues is a key component of effective internal control over financial reporting.
<i>Condition:</i>	A prior period adjustment of \$50,966,376 was required to correct certain 2017 revenues, which were inadvertently recorded twice in 2017.
<i>Cause:</i>	Internal controls in place in 2017, did not ensure that revenues were reported accurately.
<i>Effect:</i>	In 2017, revenues in the Unemployment Compensation Fund were overstated by \$50,966,376.
<i>Recommendation:</i>	We recommend the State of Nevada enhance internal controls to ensure revenues are reported accurately.
<i>Views of Responsible Officials:</i>	Management agrees with this finding.

**STATE OF NEVADA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Findings Relating to the Financial Statements Reported in Accordance with GAGAS:

2018-B	Prior Period Adjustment of Medicaid Federal Reimbursements and Expenditures Material Weakness
<i>Criteria:</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting Medicaid expenditures and the related Medicaid federal reimbursements is a key component of effective internal control over financial reporting.
<i>Condition:</i>	A prior period adjustment of \$22,807,889 was required to correct 2017 Medicaid expenditures in the amount of \$65,268,331 and Medicaid federal reimbursements in the amount of \$42,460,442, both of which were miscalculated and therefore understated in the 2017 financial statements.
<i>Cause:</i>	Internal controls in place in 2017 did not ensure that Medicaid expenditures and the related Medicaid Federal reimbursements were properly calculated and reported.
<i>Effect:</i>	At June 30, 2017, fund balance in the General Fund was overstated by \$22,807,889.
<i>Recommendation:</i>	We recommend the State of Nevada enhance internal controls to ensure Medicaid expenditures and the related Medicaid federal reimbursements are calculated and reported accurately.
<i>Views of Responsible Officials:</i>	Management agrees with this finding.

**STATE OF NEVADA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Findings Relating to the Financial Statements Reported in Accordance with GAGAS:

2018-C	Highway Fund – Revenue and Unavailable Revenue Significant Deficiency
<i>Criteria:</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly recording revenue and unavailable revenue (deferred inflows of resources) is a key component of effective internal control over financial reporting.
<i>Condition:</i>	During our testing over revenue and unavailable revenue, we noted that a portion of a year-end journal entry was duplicated. An adjusting journal entry was required to correct the duplicated journal entry in the Highway Fund.
<i>Cause:</i>	The internal controls in place over revenue recognition did not ensure the post-June 30 th amounts recorded for revenue and unavailable revenue were correct.
<i>Effect:</i>	Prior to the adjusting journal entry, revenue was understated by \$1,835,468 and unavailable revenue was overstated by \$1,835,468.
<i>Recommendation:</i>	We recommend the State of Nevada enhance internal controls over revenue recognition to ensure post-June 30 th amounts recorded for revenue and unavailable revenue are correct.
<i>Views of Responsible Officials:</i>	Management agrees with this finding.