



Financial Statements
June 30, 2015

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
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June 30, 2015

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Independent Auditor's Report

To the Board of Trustees
Higher Education Tuition Trust Fund
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust Fund, as of June 30, 2015, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1 and 9 to the financial statements, the Trust Fund has adopted the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, 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 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.

Report on Summarized Comparative Information

We have previously audited the Trust Fund's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2015. In our opinion, the summarized comparative information presented herein as of, and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2016, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Trust Fund's internal control over financial reporting and compliance.



Reno, Nevada
January 8, 2016

As management of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), we offer readers of the Trust Fund's financial statements this narrative overview and analysis of the financial activities of the Trust Fund for the fiscal year (FY) ended June 30, 2015.

FINANCIAL HIGHLIGHTS

The Trust Fund's financial position continued to significantly improve in Fiscal Year 2015.

- The Trust Fund's total assets and deferred outflows grew by \$19,116,817 in FY 2015. This represents an increase of 8% from the prior year. These assets are used to pay tuition benefits on behalf of contracts purchased.
- The Trust Fund's total net position in FY2015 was \$53,103,379, which is an increase of \$9,623,448 from the prior year. The growth is primarily due to strong investment performance.
- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2015 was 127.9%, utilizing an investment yield assumption of 6% per year (126.8% if the market value of assets was used). This represents an increase from the funded status of 126.2% as of June 30, 2014, and continues to be one of the highest funding ratios nationwide for a state prepaid tuition plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust Fund's annual report. The Trust Fund's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements and a Compliance Section.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Trust Fund report information about the Trust Fund, which is considered an enterprise fund (proprietary fund type). Proprietary funds use the full accrual basis of accounting similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Trust Fund's assets and deferred inflows and liabilities and deferred outflows and provides information about the nature and amount of its resources and the obligations to contract holders. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Trust Fund's operations over the past year, and can be used to determine whether the Trust Fund has successfully met all of its costs through its tuition contributions, along with other fees and charges for sales and services. The final statement is the Statement of Cash Flows, which is used to provide information about the Trust Fund's cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

NET POSITION

Net position may serve over time as a useful indicator of financial position. In the case of the Trust Fund, the Trust Fund's position increased significantly, ending with net position of \$53,103,379.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Management's Discussion and Analysis
June 30, 2015

The vast majority of the Trust Fund's assets and deferred inflows, 83%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

Higher Education Tuition Trust Fund Net Position

	2015	2014
Assets		
Current and other assets	\$ 252,800,364	\$ 233,683,398
Net capital assets	107,134	125,168
Total Assets	252,907,498	233,808,566
Deferred Inflows		
Pension related	17,885	-
Liabilities		
Current liabilities	17,921,139	21,134,868
Noncurrent liabilities	181,852,124	169,193,767
Total Liabilities	199,773,263	190,328,635
Deferred Outflows		
Pension related	48,741	-
Net Position		
Net investment in capital assets	107,134	125,168
Unrestricted	52,996,245	43,354,763
Total Net Position	\$ 53,103,379	\$ 43,479,931

The Trust Fund's net position continued to grow in FY 2015, for the third year in a row. The net position increased from \$43,479,931 in FY 2014 to \$53,103,379 in FY 2015, an increase of \$9,623,448 or 22% over the prior fiscal year. This increase is primarily due to a slight increase in investment performance and the forgiveness of the previous \$5 million advance from the College Savings Endowment account.

CHANGE IN NET POSITION

Higher Education Tuition Trust Fund Change in Net Position

	2015	2014
Operating Revenues		
Tuition contributions and other revenues	\$ 18,642,749	\$ 22,063,702
Operating Expenses		
Operating expenses before depreciation	25,743,763	21,307,462
Depreciation	18,035	17,822
Total Operating Expenses	25,761,798	21,325,284
Operating Income (Loss)	(7,119,049)	738,418
Nonoperating revenues (expenses) and interest income	9,618,430	24,954,546
Contribution - State of Nevada College Savings Trust	2,323,143	2,334,084
Special Item – advance forgiveness	5,000,000	-
Change in Net Position	9,822,524	28,027,048
Net Position, July 1(includes (\$199,076) prior year adjustment	43,280,855	15,452,883
Net Position, June 30	\$ 53,103,379	\$ 43,479,931

Tuition contributions and revenues in FY 2015 decreased slightly from \$22,063,702 in FY 2014 to \$18,642,749 in FY 2015. The 16% decline is mainly attributable to a decrease in the number of enrollments in FY 2015. The Plan saw a 20% decrease in the number of new enrollments from the previous fiscal year, which management believes is partly due to the continued year over year solid stock market performance which generally drives higher participation in 529 Savings Plans versus 529 Prepaid Tuition Plans. Management also believes that the 2014 action by the Nevada Board of Regents in 2014 to vote on reduced increases in tuition rates (4% for the next four years rather than the average increase of over 7% for the past eight years) may too have added to the decline on the number of Prepaid Tuition contracts sold as parents see rising college tuition rates going down in future years. Operating expenses for the Plan primarily consist of future tuition benefits, which are calculated to be \$23,160,923 on an accrued basis. Total operating expenses increased by roughly 20% from \$21,325,284 in FY 2014 to \$25,761,798 in FY 2015. This is mainly due to the anticipated tuition increases and subsequent change in actuarial assumptions.

The operating income (loss) above reflects the difference between contributions from new and existing participants on a cash basis versus benefit payments to educational institutions, which fulfills the purpose of the Plan, and other sundry costs. In addition in FY 15, the change in the actuarial accruals had a negative impact on the net income. This is shown in the significant decrease in the operating income from \$738,418 in FY 2014 to a

negative \$7,119,049 in FY 2015. However, despite the above noted decline, the Plan still experienced an increase of 22% in its net position, from \$43,479,931 in FY 2014 to \$53,103,379 in FY 2015. In addition, the plan's funding ratio of 127.9% in FY 2015 still remains one of the highest funded ratios of the remaining 12 open Prepaid Tuition plans, nationwide.

CAPITAL ASSET ADMINISTRATION

The Trust Fund's investment in capital assets as of June 30, 2015, amounts to \$107,134 (net of accumulated depreciation), which primarily consists of computer equipment. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS

At the January 20, 2010 meeting of the Board of Trustees of the College Savings Plans of Nevada (the Board), the Board approved a loan from the State of Nevada College Savings Endowment Fund to the Trust in an amount of \$5,000,000. In May 2013, the Board approved a policy that required repayment of this loan once the Trust Fund reached a 120% funded status. Since the Prepaid Tuition's contracted actuary had calculated a 126.2% funding ratio as of June 30, 2014, repayment of the \$5 million loan was due in Fiscal Year 2015. However, in March 2015, the Board reconsidered repayment options, and approved the \$5 million loan forgiveness from the College Savings Endowment account. Thus, the \$5 million dollar advance is no longer recorded as a current liability.

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. In July 2014, the Board amended the asset allocation for the Plan which was recommended by its investment consultant, to include covered calls to help reduce volatility in the Plan investments. The target allocation was changed to include domestic public equities of 50%, domestic fixed income securities of 30%, and domestic covered calls of 20%. The Plan continued to invest in an equity portfolio with passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard, a fixed income portfolio with Chicago Equity Partners and added a passively managed covered calls mutual fund from with Glenmede. The total return for the Plan's investment portfolio in Fiscal Year 2015, as calculated by the Plan's investment consultant, was 5.1%.

Based on a general inflation rate of 3.00% and revised 10-year capital market expectations for those asset classes, the Board-approved the assumed rate of return of the Plan's investments is 6.00% based on analyses from its investment consultant. This assumed rate was used by the Board's actuary in computing the Plan's funded status of 127.9%. The Plan's investments are intended to provide broad exposure to the US equities and investment-grade fixed income markets. Therefore, projected returns are subject to the returns and volatility in the markets.

In addition to investment returns, on July 26, 2012, on July 29, 2014, and again on March 25, 2015, the Board approved a long-term financial plan that included an annual transfer of \$1.82 million to the Trust Fund from the College Savings Endowment Fund. This represents a supplemental source of funding to the Plan in addition to future investment gains and also serves as a buffer for market volatility. The College Savings Endowment Fund also transfers funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Plan.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Trust Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Nevada Prepaid Tuition Program, 555 E. Washington Ave., Suite 4600, Las Vegas, NV 89101.

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statement of Net Position
Year Ended June 30, 2015
(with comparative amounts for the Year Ended June 30, 2014)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 1,574,087	\$ 2,304,420
Investment income receivable	274,342	418,700
Prepaid items	-	1,490
Due from State of Nevada	11,893	8,736
Tuition contributions receivable	9,154,365	8,924,543
Investments	210,156,888	191,919,850
Total current assets	221,171,575	203,577,739
Noncurrent assets		
Capital assets, net	107,134	125,168
Other noncurrent assets:		
Tuition contributions receivable	31,628,789	30,105,659
Total noncurrent assets	31,735,923	30,230,827
Total assets	252,907,498	233,808,566
Deferred Outflows		
Pension related	17,885	15,762
Total assets and deferred outflows	252,925,383	233,824,328
Liabilities		
Current liabilities		
Accounts payable	115,753	100,356
Accrued salaries and benefits	33,888	26,143
Due to State of Nevada	58,513	48,740
Due to other governments	3,432	-
Advance from State of Nevada General Fund - College Savings Endowment Account	-	5,000,000
Tuition benefits payable	17,709,553	15,959,629
Total current liabilities	17,921,139	21,134,868
Noncurrent Liabilities:		
Tuition benefits payable	181,681,853	169,193,767
Net pension liability	170,271	214,838
Total noncurrent liabilities	181,852,124	169,408,605
Total liabilities	199,773,263	190,543,473
Deferred Inflows		
Pension related	48,741	-
Total liabilities and deferred inflows	199,822,004	190,543,473
Net Position		
Net investment in capital assets	107,134	125,168
Unrestricted	52,996,245	43,155,687
Total net position	\$ 53,103,379	\$ 43,280,855

See Notes to Financial Statements

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2015
(with comparative amounts for the Year Ended June 30, 2014)

	2015	2014
Operating Revenues		
Charges for sales and services	\$ 129,100	\$ 152,200
Tuition contributions	18,513,649	21,911,502
Total operating revenues	18,642,749	22,063,702
Operating Expenses		
Personnel costs	179,083	153,803
Contract and other administrative services	458,166	512,194
Tuition benefits expense	23,160,923	18,914,376
Refunds	1,945,591	1,727,089
Depreciation	18,035	17,822
Total operating expenses	25,761,798	21,325,284
Operating Income (Loss)	(7,119,049)	738,418
Nonoperating Revenues		
Interest, dividends and other investment income	5,675,080	3,062,789
Net increase in fair value of investments	3,943,350	21,891,757
Contribution from the State of Nevada General Fund - College Savings Endowment Account	2,323,143	2,334,084
Total nonoperating revenues	11,941,573	27,288,630
Special Item - advance forgiveness	5,000,000	-
Change in Net Position	9,822,524	28,027,048
Net Position, July 1, as previously reported	43,479,931	15,452,883
Prior period adjustment	199,076	-
Net Position, July 1, as restated	43,280,855	15,452,883
Net Position, June 30	\$ 53,103,379	\$ 43,479,931

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statement of Cash Flows
Year Ended June 30, 2015
(with comparative amounts for the Year Ended June 30, 2014)

	2015	2014
Operating Activities		
Receipts for sales and services	\$ 129,100	\$ 152,775
Tuition contributions received	16,760,697	15,073,994
Payments to suppliers for good and services	(432,721)	(533,569)
Payments to employees	(167,797)	(147,382)
Payments for tuition benefits	(8,922,913)	(8,159,498)
Payments of refunds	(1,945,591)	(1,727,089)
Net Cash from Operating Activities	5,420,775	4,659,231
Noncapital Financing Activities		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	2,323,143	2,334,084
Investing Activities		
Proceeds from sales or maturities of investments	43,399,906	46,519,251
Purchase of investments	(57,693,595)	(55,941,366)
Interest, dividends and other investment income received	5,819,438	3,086,277
Purchase of capital assets	-	(21,500)
Proceeds from sales of capital assets	-	-
Net Cash used for Investing Activities	(8,474,251)	(6,357,338)
Net Change in Cash and Cash Equivalents	(730,333)	635,977
Cash and Cash Equivalents, Beginning of Year	2,304,420	1,668,443
Cash and Cash Equivalents, End of Year	\$ 1,574,087	\$ 2,304,420

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Fund
Statement of Cash Flows
Year Ended June 30, 2015
(with comparative amounts for the Year Ended June 30, 2014)

	2015	2014
Reconciliation of operating loss to net cash from (used for)		
operating activities		
Operating income (loss)	\$ (7,119,049)	\$ 738,418
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities		
Depreciation	18,035	17,822
Changes in		
Due from State of Nevada	(3,157)	61,554
Accounts receivable	-	575
Prepaid items	1,490	(1,490)
Tuition contributions receivable	(1,752,952)	(6,837,508)
Accounts payable and accrued liabilities	23,142	(24,859)
Due to State of Nevada	9,773	(17,247)
Due to other governments	3,432	(32,912)
Net pension liability	(44,567)	-
PERS deferred outflows	(2,123)	-
PERS deferred inflows	48,741	-
Tuition benefits payable	14,238,010	10,754,878
Net Cash from Operating Activities	\$ 5,420,775	\$ 4,659,231
Noncash Investing Activities		
Net increase in fair value of investments	\$ 3,943,350	\$ 21,891,757

Note 1 - Summary of Significant Accounting Policies

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity and Purpose

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, Prepayment of Tuition at Institutions of Higher Learning, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a five-member Board of Trustees (the Board).

The purpose of the Trust Fund's program is to provide 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. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has six years after the projected college entrance date to utilize the benefits of the contract. Exceptions are granted for military or religious service. 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 seventeenth enrollment period on February 28, 2015 with 977 new enrollments. The Trust Fund also had 353 cancellations and 188 contracts completing benefits for a total enrollment of 11,586 at June 30, 2015.

Measurement Focus and Basis of Accounting

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's Comprehensive Annual Financial Report. The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

Cash Equivalents

Cash equivalents include short-term highly liquid investments (with maturities of three months or less when purchased) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash and investments pooled with the State Treasurer, and money market mutual funds.

Custodian and Transfer Agent

BNY Mellon is the custodian and transfer agent for certain Trust Fund investments.

Investment Valuation and Income Recognition

Investments are reported at fair value as determined by quoted market prices. Fair value is the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

Tuition Contributions Receivable

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

Capital Assets

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over estimated useful lives of four to ten years. The cost of repairs and maintenance that do not materially extend the life of an asset are not capitalized.

Tuition Benefits Payable

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

Equity Classifications

In the financial statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets after adding back the unspent portion of these borrowings.

2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors (including bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Accounting Changes

The Trust Fund implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. This statement establishes accounting and financial reporting requirements related to pension expense and pension liabilities for employers that contribute to the Public Employees’ Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer plan administered by the Public Employees’ Retirement System of the State of Nevada. The effect of the implementation of these standards on beginning net position is disclosed in Note 9. No additional disclosures related to these standards have been included in the financial statements as the amounts do not significantly impact the financial position of the Trust Fund.

Note 2 - Compliance with Nevada Revised Statutes and Administrative Code

The Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

Note 3 - Cash and Investments

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund’s assets are managed in accordance with the Trust Fund’s investment objectives and policies, as provided in Section 353B.160.1 of NRS. Authorized investments are as follows:

- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A mortgage-backed security that is issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- “AAA” rated collateralized mortgage obligations that are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- “A” or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States. The total amount invested in such bonds must not exceed 50% of the book value of the total fixed income investments;

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Notes to Financial Statements
June 30, 2015

- “A-1”, “P-1”, “F-1” or better rated commercial paper;
- “AAA” rated commercial mortgage-backed securities;
- “AAA” rated asset-backed securities financing credit cards, auto, manufactured housing, or student loans;
- “A” rated money-market mutual funds that meet the criteria set forth in statute. The total dollar amount invested in such mutual funds must not exceed 20% of the total dollar amount of the Trust Fund that is invested;
- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission. The total book value of this type of investment must not at any time be greater than 5% of the total book value of all investments of the Trust Fund;
- Common or preferred stock of corporations that have a total market value of not less than \$50,000,000. The maximum investment in stock is no greater than 60% of the book value of the total investments of the Trust Fund. Except for investments made pursuant to the final authorized investment below, the total amount invested in a single corporation is not greater than 3% of the book value of the assets of the Trust Fund and not greater than 5% of the outstanding stock of a single corporation; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund’s investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 3 to 18 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2015, the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	Greater Than 10
Investments					
Corporate notes	\$ 3,146,782	\$ 487,810	\$ 2,135,463	\$ -	\$ 523,509
U.S. agencies	\$26,380,011	-	1,983,781	413,584	23,982,646
U.S. Treasury notes	\$33,032,468	3,723,845	18,346,387	5,210,606	5,751,630
Cash equivalents					
Money market mutual funds	342,622	342,622	-	-	-
	<u>\$62,901,883</u>	<u>\$ 4,554,277</u>	<u>\$22,465,631</u>	<u>\$ 5,624,190</u>	<u>\$30,257,785</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds representing cash and cash equivalents) as of June 30, 2015, were rated by Standard and 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):

	Fair Value	Credit Quality Ratings			BBB
		AAA	AA	A	
Investments					
Corporate notes	\$ 3,146,782	\$ 225,099	\$ 759,081	\$ 2,162,602	\$ -
U.S. agencies	26,380,011	-	26,380,011	-	-
Cash equivalents					
Money market mutual funds	342,622	342,622	-	-	-
	<u>\$29,869,415</u>	<u>\$ 567,721</u>	<u>\$27,139,092</u>	<u>\$ 2,162,602</u>	<u>\$ -</u>

The ratings presented above may have differed if an equivalent national rating organization was utilized.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2015, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security	\$ 14,164,699	6.74%

Other Risk

The Trust Fund invests in various equity mutual funds, including at June 30, 2015, when equity mutual funds comprised approximately 70.12% of total investments. Equity mutual funds are exposed to other risks such as market risks. Due to the level of risk associated with equity mutual funds, it is at least reasonably possible that changes in the values of equity mutual funds will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Pooled Cash and Investments

Of the \$1,574,087 cash and cash equivalents at June 30, 2015, \$1,231,465 represents the Trust Fund's investment in the State of Nevada's external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

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The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund's participation percentage in the investment pool.

Custodial Credit Risk – The State Treasurer minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above 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.

Interest Rate Risk – 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).

As of June 30, 2015, the Trust Fund's investments held in the external investment pool are categorized as follows:

	Percentage Based on Fair Value	Maturities, in Years			
		< 1	1-5	6-10	> 10
Investments					
U.S. agencies	52.69%	39.80%	12.89%	0.00%	0.00%
Mutual funds	8.59%	8.59%	0.00%	0.00%	0.00%
Asset-backed securities	5.58%	0.00%	2.00%	3.58%	0.00%
Corporate bonds and notes	13.45%	5.40%	8.05%	0.00%	0.00%
Commercial Paper	17.42%	17.42%	0.00%	0.00%	0.00%
Municipal bonds	2.27%	1.26%	0.78%	0.23%	0.00%
	100.00%				

Credit Risk – The State Treasurer's investment policy addresses credit risks. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Banker's 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,

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- 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.

The State's investments held in the external investment pool as of June 30, 2015 were rated by Standard and Poor's and/or an equivalent national rating organization and categorized as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
Investments				
U.S. agencies	0.33%	0.00%	99.67%	0.00%
Mutual funds	0.00%	0.00%	0.00%	100.00%
Asset-backed securities	0.00%	0.00%	100.00%	0.00%
Corporate bonds and notes	0.00%	63.42%	32.08%	4.50%
Commercial paper	0.00%	0.00%	100.00%	0.00%
Municipal bonds	0.00%	0.00%	100.00%	0.00%

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, 2015, the following investments exceeded 5% of the State of Nevada's investments in the external investment pool:

Federal Home Loan Bank	38.59%
United States of America	8.22%
Small Business Administration	5.58%
US Bank Natl Assoc IB NT	5.45%

Securities Lending – NRS 355.155 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 the market value of the underlying securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2015.

Note 4 - Capital Assets

The following schedule summarizes the changes in capital assets for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital Assets				
Computer equipment	\$ 183,374		\$ (10,000)	\$ 173,374
Less accumulated depreciation	<u>(58,206)</u>	<u>(18,034)</u>	<u>10,000</u>	<u>(66,240)</u>
Capital Assets, Net	<u>\$ 125,168</u>	<u>\$ (18,034)</u>	<u>\$ -</u>	<u>\$ 107,134</u>

Note 5 - Noncurrent Liabilities

Tuition Benefits Payable

Included in noncurrent liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits 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.

APV of the Future Tuition Obligation	\$ 199,391,406
Net Position Available	\$ 252,494,785
Net Position as a Percentage of Tuition Benefits Obligation	126.63%

The following assumptions were used in the actuarial valuation:

- Investment Rates: The investment yield assumption is 6.00% per year, which decreased from the 6.25% per year assumption used in the FY14 actuarial report.
- Tuition Growth Assumptions:

<u>Fiscal Year Ended</u>	<u>Universities</u>	<u>Community Colleges</u>
2016-17	4.00%	4.00%
2017-18	4.00%	4.00%
2018-19	4.00%	4.00%
2019-20 and later	5.75%	5.50%

Advance from the State of Nevada General Fund – College Savings Endowment Account:

Noncurrent liabilities included an advance from the State of Nevada's General Fund – College Savings Endowment Account. On March 11, 2015 the College Savings Board approved the forgiveness of the \$5,000,000 advance from the College Savings Endowment Account to the Trust Fund. As this transaction is within the control of management and infrequent in occurrence, the revenue is reported as a special item in the Statement of Revenues, Expenses, and Changes in Net Position.

Changes in the Trust Fund's noncurrent liabilities:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Tuition benefits payable	\$ 185,153,396	\$ 23,160,923	\$ (8,922,913)	\$ 199,391,406	\$ 17,709,553
Advance from State of Nevada General Fund - College Savings Endowment Account	<u>5,000,000</u>	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 190,153,396</u>	<u>\$ 23,160,923</u>	<u>\$(13,922,913)</u>	<u>\$ 199,391,406</u>	<u>\$ 17,709,553</u>

Note 6 - Tuition Contributions and Tuition Benefits Expense

The tuition contributions of \$18,513,649 and the tuition benefits expense of \$23,160,923 on the Statement of Revenues, Expenses and Changes in Net Position represent the annual accrual of contributions and benefit expenses for the year ended June 30, 2015, as determined by the actuarial valuation and adjusted by the actual activity for the fiscal year.

Note 7 - Pension Plan and Other Post-Employment Benefits

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan – The employees participate in a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada’s *Comprehensive Annual Financial Report* for the year ended June 30, 2015.

Other Post Employment Benefits (OPEB) – The employees participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Public Employees’ Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada’s *Comprehensive Annual Financial Report* for the year ended June 30, 2015.

Note 8 - Risk Management

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada’s various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.

Note 9 - Restatement and Prior Period Adjustment

As described in Note 1, the Nevada Higher Education Tuition Trust Fund implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. Following this statement, the fiscal year 2015 financial statements have been adjusted with a prior year restatement of the beginning net position to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made during the year ended June 30, 2014 as follows:

Net position at June 30, 2014, as previously reported	\$ 43,479,931
Net pension liability as of June 30, 2013	(214,838)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	<u>15,762</u>
Net position at July 1, 2014, as restated	<u><u>\$ 43,280,855</u></u>

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**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***

To the Board of Trustees
Higher Education Tuition Trust Fund
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 State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements and have issued our report thereon dated January 8, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust Fund's basic 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.

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 Trust Fund'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 Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
January 8, 2016