



Financial Statements  
June 30, 2023 and 2022

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

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Enterprise Fund  
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June 30, 2023 and 2022

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## Independent Auditor's Report

To the Board of Trustees  
Nevada College Savings Plan Board  
Carson City, Nevada

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the Higher Education Tuition Trust Enterprise Fund of the State of Nevada, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Higher Education Tuition Trust Enterprise Fund (the Trust Fund) of the State of Nevada, as of June 30, 2023 and 2022, and the respective changes in its financial position, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Nevada, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Trust Fund of the State of Nevada, and do not purport to, and do not, present fairly the financial position of the Office of the State Treasurer or the State of Nevada as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust Fund of the State of Nevada's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7, be presented to supplement the basic financial statements. Such information is the responsibility of management, and 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 GAAS, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2024, on our consideration of the Trust Fund 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 Trust Fund 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 Trust Fund of the State of Nevada's internal control over financial reporting and compliance.

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

Reno, Nevada  
May 1, 2024

As management (the Office of the State Treasurer) of the Higher Education Tuition Trust Enterprise Fund (the Trust Fund) of the State of Nevada, 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 years (FY) ended June 30, 2023 and 2022.

## **FINANCIAL HIGHLIGHTS**

The Trust Fund's financial position improved in FY 2023.

- The Trust Fund's total assets and deferred outflows increased from \$387,907,372 in FY 2022 to \$420,409,194 in FY 2023, an increase of \$32,501,822. This represents an increase of 8.38% from the prior fiscal year. These assets are used to pay tuition benefits on behalf of contracts purchased.
- The Trust Fund's total net position in FY 2023 was \$239,901,250 which is an increase of \$57,881,465 from FY 2022. The growth is primarily due to investment performance.
- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2023 was 227.5%, utilizing a rate of return on actuarial value of assets of 7.33 % per year. This is an increase from the funded status of 217.0% as of June 30, 2022, and the funded status of 189.7% as of June 30, 2021, 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 outflows of resources and liabilities and deferred inflows of resources 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.

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Enterprise Fund  
Management's Discussion and Analysis  
June 30, 2023 and 2022

## NET POSITION

Net position may serve over time as a useful indicator of financial position. The Trust Fund's net position declined in FY 2023. The net position decreased from \$219,145,231 in FY 2021 to \$182,019,785 in FY 2022 and then increased to \$239,901,250 in FY 2023, a decrease of \$37,125,446 and an increase of \$57,881,465, respectively, or -16.94 and 31.80%, respectively, over the prior fiscal years. These increases and decreases were primarily due to significant fluctuations in investment performance (unrealized gains and losses) and the change in actuarial value of tuition benefits for FY 2023.

The vast majority of the Trust Fund's assets, over 90%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

### Higher Education Tuition Trust Fund Net Position

	2023	2022	2021
<b>Assets</b>			
Current and other assets	\$ 420,247,007	\$ 387,764,053	\$ 428,052,879
Net capital assets	3,959	-	6,565
Total Assets	<u>420,250,966</u>	<u>387,764,053</u>	<u>428,059,444</u>
<b>Deferred Outflows</b>			
Pension related	147,892	143,319	53,565
OPEB related	10,336	-	15,685
Total Deferred Outflows of Resources	<u>158,228</u>	<u>143,319</u>	<u>69,250</u>
<b>Liabilities</b>			
Current liabilities	17,217,708	19,818,118	20,206,968
Noncurrent liabilities	163,254,327	185,877,644	188,746,470
Total Liabilities	<u>180,472,035</u>	<u>205,695,762</u>	<u>208,953,438</u>
<b>Deferred Inflows</b>			
Pension related	19,800	185,748	20,384
OPEB related	16,109	6,077	9,641
Total Deferred Inflows of Resources	<u>35,909</u>	<u>191,825</u>	<u>30,025</u>
<b>Net Position</b>			
Net investment in capital assets	3,959	-	6,565
Restricted	<u>239,897,291</u>	<u>182,019,785</u>	<u>219,138,666</u>
Total Net Position	<u>\$ 239,901,250</u>	<u>\$ 182,019,785</u>	<u>\$ 219,145,231</u>

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Management's Discussion and Analysis  
June 30, 2023 and 2022

**CHANGE IN NET POSITION**

Higher Education Tuition Trust Fund Change in Net Position

	2023	2022	2021
Operating Revenues			
Tuition contributions and other revenues	\$ 8,926,089	\$ 10,433,413	\$ 11,630,844
Operating Expenses			
Operating expenses before depreciation/amortization	(9,040,782)	13,536,086	17,721,452
Depreciation and amortization	1,397	6,565	16,698
Total Operating Expenses	(9,039,385)	13,542,651	17,738,150
Operating Income (Loss)	17,965,474	(3,109,238)	(6,090,608)
Nonoperating revenues (expenses) and interest income	39,139,430	(34,689,446)	82,592,063
Contribution - State of Nevada College Savings Endowment Account	773,411	673,238	703,554
Federal Grant Revenue	3,150	-	-
Change in Net Position	57,881,465	(37,125,446)	77,188,311
Net Position, July 1	182,019,785	219,145,231	141,956,920
Net Position, June 30	\$ 239,901,250	\$ 182,019,785	\$ 219,145,231

Tuition contributions and revenues in FY 2022 decreased to \$10,433,413 from FY 2021. Tuition contributions and revenues in FY 2023 decreased to \$8,926,089. The 10.30% and 14.45% decreases, respectively, are both attributable to a decrease in the total number of contracts sold in FY 2023 and FY 2022, with more of them being paid in full which decreases ongoing annual contributions, as well as a lower number of 4-year university plans being purchased overall. Operating expenses for the Trust Fund primarily consist of future tuition benefits, which are calculated to be \$(13,687,616) on an accrued actuarial basis in FY 2023 and \$9,075,738 in FY 2022. Total operating expenses decreased by roughly 23.65% from \$17,738,150 in FY 2021 to \$13,542,651 in FY 2022. Total operating expenses decreased by 166.75% from \$13,542,651 in FY 2022 to \$(9,039,385) in FY 2023. A change in the actuarial value of future tuition benefits of \$(25,545,912) was recognized in FY 2023, which is what is driving the significant change from FY 2022 to FY 2023. The change from FY 2021 to FY 2022 was also caused primarily by the change in actuarial value of future tuition benefits, which was \$(2,958,950) in FY 2022. Actuarial assumption changes were based on Nevada Prepaid Tuition actuarial experience studies performed which resulted in a decrease in expected future tuition benefits.

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 Trust Fund, and other sundry costs. In addition, in FY 2023, the change in the actuarial accruals had a positive impact on the net position. This is shown in the increase in the operating income (loss) from \$(3,109,238) in FY 2022 to \$17,965,474 in FY 2023. The net impact on both future tuition collections and benefits from the



actuarial values were \$22,557,122 in FY 2023 compared to \$98,668 in FY 2022. The change in FY 2023 was primarily caused by some changes in assumptions as a result of the experience study as well as a change in the assumed rate of investment return from 5.00% to 5.25%.

### **CAPITAL ASSET ADMINISTRATION AND LONG-TERM DEBT**

The Trust Fund's investment in capital assets as of June 30, 2023, amounts to \$3,959 (net of accumulated amortization), which consists of copier leases. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

The Trust Fund does not have typical long-term debt, such as bonds or notes. However, The Trust Fund does have noncurrent liabilities related to tuition benefits payable and leases. More information about the Trust Fund's tuition benefits payable can be found in Note 5 and leases in Note 6 to the Trust Fund's financial statements.

### **ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS**

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. The target investment allocation includes domestic public equities of 50%, domestic fixed income securities of 30%, and domestic covered calls of 20%. The Plan continues 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 Garcia Hamilton & Associates and a passively managed covered calls mutual fund with Glenmede. The rate of return on a market value basis was 10.95% while the rate of return on the actuarial value of assets for year ended June 30, 2023 was 7.33%.

Based on a price inflation rate of 2.50% and revised 5-year capital market expectations for those asset classes, the Board-approved the assumed rate of return of the Plan's investments is 5.25% 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 227.5%. The Plan's investments are intended to provide broad exposure to the U.S. equities and investment-grade fixed income markets. Therefore, projected returns are subject to actual market activity and volatility in the markets.

The College Savings Endowment Account continues to transfer funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Prepaid Tuition 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 5200, Las Vegas, NV 89101.

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Enterprise Fund  
Statements of Net Position  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,960,257	\$ 6,333,974
Investment income receivable	611,633	639,316
Prepaid items	1,088	2
Due from other State of Nevada funds	38,621	13,465
Tuition contributions receivable, current portion	6,645,879	7,127,697
Investments	<u>388,344,518</u>	<u>349,497,616</u>
Total current assets	<u>398,601,996</u>	<u>363,612,070</u>
Noncurrent assets		
Right to use leased assets, net of accumulated amortization	3,959	-
Tuition contributions receivable	<u>21,645,011</u>	<u>24,151,983</u>
Total noncurrent assets	<u>21,648,970</u>	<u>24,151,983</u>
Total assets	<u>420,250,966</u>	<u>387,764,053</u>
Deferred outflows of resources		
Pension related	147,892	143,319
OPEB related	<u>10,336</u>	<u>-</u>
Total deferred outflows	<u>158,228</u>	<u>143,319</u>
Total assets and deferred outflows	<u>420,409,194</u>	<u>387,907,372</u>

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Enterprise Fund  
Statements of Net Position  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 146,725	\$ 97,282
Accrued salaries and benefits	56,902	48,392
Due to other State of Nevada funds	32,726	-
Due to State of Nevada component units	24,008	-
Tuition benefits payable, current portion	16,955,948	19,672,444
Current maturities of long-term liabilities		
Lease liabilities	<u>1,399</u>	<u>-</u>
Total current liabilities	<u>17,217,708</u>	<u>19,818,118</u>
Noncurrent liabilities		
Tuition benefits payable, net of current portion	162,679,630	185,509,047
Net pension liability	434,298	219,617
Net OPEB liability	137,721	148,980
Lease liabilities, net of current maturities	<u>2,678</u>	<u>-</u>
Total noncurrent liabilities	<u>163,254,327</u>	<u>185,877,644</u>
Total liabilities	<u>180,472,035</u>	<u>205,695,762</u>
Deferred inflows of resources		
Pension related	19,800	185,748
OPEB related	<u>16,109</u>	<u>6,077</u>
Total deferred inflows	<u>35,909</u>	<u>191,825</u>
Total liabilities and deferred inflows	<u>180,507,944</u>	<u>205,887,587</u>
Net Position		
Net investment in capital assets	3,959	-
Restricted for tuition trust activities	<u>239,897,291</u>	<u>182,019,785</u>
Total net position	<u>\$ 239,901,250</u>	<u>\$ 182,019,785</u>

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Enterprise Fund  
Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenues		
Tuition contributions	\$ 11,860,819	\$ 13,238,793
Change in actuarial value of future tuition collections	(2,988,790)	(2,860,282)
Charges for sales and services	54,060	54,902
Total operating revenues	<u>8,926,089</u>	<u>10,433,413</u>
Operating Expenses		
Personnel costs	278,158	234,102
Contract and other administrative services	713,384	718,445
Tuition benefits expense	11,858,296	12,034,688
Change in actuarial value of future tuition benefits	(25,545,912)	(2,958,950)
Refunds	3,655,292	3,507,801
Depreciation and amortization	1,397	6,565
Total operating expenses	<u>(9,039,385)</u>	<u>13,542,651</u>
Operating Income (Loss)	<u>17,965,474</u>	<u>(3,109,238)</u>
Nonoperating Revenues (Expenses)		
Interest, dividends and other investment income	6,819,588	4,859,376
Net increase (decrease) in fair value of investments	32,319,842	(39,548,822)
Contribution from the State of Nevada General Fund - College Savings Endowment Account	773,411	673,238
Federal grant revenue	3,150	-
Total nonoperating revenues (expenses)	<u>39,915,991</u>	<u>(34,016,208)</u>
Change in Net Position	57,881,465	(37,125,446)
Net Position, Beginning of Year	<u>182,019,785</u>	<u>219,145,231</u>
Net Position, End of Year	<u><u>\$ 239,901,250</u></u>	<u><u>\$ 182,019,785</u></u>

State of Nevada  
Office of the State Treasurer  
Higher Education Tuition Trust Enterprise Fund  
Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Receipts for sales and services	\$ 54,060	\$ 54,902
Tuition contributions received	11,860,819	13,238,793
Payments to suppliers for good and services	(641,019)	(779,268)
Payments to employees	(237,051)	(259,220)
Payments for tuition benefits	(11,858,297)	(12,034,688)
Payments of refunds	(3,655,292)	(3,507,801)
Net Cash used for Operating Activities	<u>(4,476,780)</u>	<u>(3,287,282)</u>
Noncapital Financing Activities		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	780,981	572,315
Federal Grants	3,150	-
Net Cash from Noncapital Financing Activities	<u>784,131</u>	<u>572,315</u>
Capital and Related Financing Activities		
Cash paid for lease liabilities - principal portion	(1,138)	-
Cash paid for lease liabilities - interest portion	(141)	-
Net Cash used for Capital Related Financing Activities	<u>(1,279)</u>	<u>-</u>
Investing Activities		
Net purchases and sales of investments	(6,527,060)	(5,131,175)
Interest, dividends and other investment income received	6,847,271	4,704,223
Net Cash from (used for) Investing Activities	<u>320,211</u>	<u>(426,952)</u>
Net Change in Cash and Cash Equivalents	(3,373,717)	(3,141,919)
Cash and Cash Equivalents, Beginning of Year	<u>6,333,974</u>	<u>9,475,893</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,960,257</u>	<u>\$ 6,333,974</u>

State of Nevada  
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Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ 17,965,474	\$ (3,109,238)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation and amortization	1,397	6,565
Changes in		
Prepaid items	(1,086)	389
Tuition contributions receivable	2,988,790	2,860,282
Accounts payable and accrued salaries and benefits	57,953	(73,203)
Due to State of Nevada component units	24,008	-
Net pension liability	214,681	(114,088)
Net OPEB liability	(11,259)	13,230
PERS and OPEB deferred outflows of resources	(14,909)	(74,069)
PERS and OPEB deferred inflows of resources	(155,916)	161,800
Tuition benefits payable	<u>(25,545,913)</u>	<u>(2,958,950)</u>
Net Cash used for Operating Activities	<u>\$ (4,476,780)</u>	<u>\$ (3,287,282)</u>
Noncash Investing Activities		
Net increase (decrease) in fair value of investments	\$ 32,319,842	\$ (39,548,822)
Acquisition of right to use leased asset	\$ 6,753	\$ -

## **Note 1 - Summary of Significant Accounting Policies**

### **Basis of Presentation**

The financial statements of the Higher Education Tuition Trust Enterprise Fund (the Trust Fund) of the State of Nevada (administered by the Office of the State Treasurer) 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, with five voting members.

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 twenty-third enrollment period on April 30, 2023 with 405 new enrollments. The Trust Fund also had 728 removed contracts for a total active enrollment of 11,046 at June 30, 2023.

The Trust Fund completed its twenty-second enrollment period on April 30, 2022 with 470 new enrollments. The Trust Fund also had 1,090 removed contracts for a total active enrollment of 11,369 at June 30, 2022.

### **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 Annual Comprehensive 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 and Cash Equivalents**

For the purposes of the Statement of Cash Flows, cash and 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 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.

### **Revenue Recognition**

Prepaid tuition and fees are set up to be paid under either a lump-sum plan, 10-year monthly payment plan, 5-year monthly payment plan or extended payment plans. The lump-sum plan is a one-time payment when the child is enrolled in the Prepaid Plan. The 10-year and 5-year plans provide for 120 and 60 equal monthly payments respectively. The extended payment plan provides monthly payments after purchase of contract for a defined period up to and including the year of high school matriculation. Revenues are recognized as earned when plans are purchased. Additionally, tuition contract revenue includes the annual change in the actuarially determined net present value of existing contract payments to be received in the future.

Late fees are applied depending on the payment plan. If the Trust Fund does not receive payment within 15 days of the due date, a late fee for lump-sum plans is applied. At 45 days after the due date, a penalty of 1 percent of the total amount due, including the amount of all outstanding fees and penalties imposed pursuant to the tuition contract will be imposed for each period of 30 days thereof. Late fees for monthly plans are applied for each month the payment is late. Any amount owing that is 90 days past due will also be subject to a delinquency fee not to exceed 8% applied to the delinquent balance. When a tuition contract is 180 days past due, the Trust Fund will inform the purchaser of pending cancellation and will terminate the tuition contract 45 days from the date of pending cancellation notice if no payment or appeal is received.

### **Investment Valuation and Income Recognition**

Investments are reported at fair value as determined by quoted or observable 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**

The prepaid tuition plans record tuition contracts receivable at the actuarial present value of future discounted contract payments adjusted for unearned interest and estimated cancellations. Any portion due within the next 12 months will be classified as short-term; otherwise, classification as a long-term receivable is appropriate.

### **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.

Right to use leased assets are recognized at the lease commencement date and represent the Trust Fund's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period for all leases are 5 years.

### **Tuition Benefits Payable**

Tuition benefits payable represents the actuarially determined present value of future contract benefit obligations of the Trust Fund. Future tuition benefits payable includes return of payments, which is the actuarially determined present value of future cancellation refund payments to participants. Amounts expected to be paid within the next 12 months are classified as current; otherwise, they are classified as a noncurrent payable.

### **Lease Liability**

Lease liabilities represent the Trust Fund's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by The Trust Fund.

## **Net Position Classifications**

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

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, notes, leases, 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”. The Trust Fund does not report any unrestricted net position, as the laws of the State of Nevada restrict the use of the Trust Fund for restricted use of the Trust Fund.

## **Reclassifications**

Certain minor reclassifications have been made to the financial statements for the year ended June 30, 2022 to provide better consistency and comparability with the year ended June 30, 2023.

## **Note 2 - Stewardship and Compliance**

### **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, Cash Equivalents, and Investments**

### **Cash and Cash Equivalents**

Of the \$2,960,257 and \$6,333,974 cash and cash equivalents at June 30, 2023 and 2022, respectively, \$2,871,332 and \$6,185,544 represents the Trust Fund’s investment in the State of Nevada Treasurer’s investment pool. The remaining balances of \$88,925 and \$148,430, respectively, consist of money market mutual funds.

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

The Trust Fund receives a pro-rated 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.

The investment pool maintains liquidity to satisfy the Trust Fund's operational needs and the amounts are available on demand.

### **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 NRS 353B.160.1. 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;
- "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 SEC. 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;

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- 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 total 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.

The Trust Fund categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trust Fund does not have any investments that are measured using Level 3 inputs.

As of June 30, 2023, the Trust Fund had the following investments and level inputs:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments				
Mutual funds				
Index funds	\$ 203,854,495	\$ 203,854,495	\$ -	\$ -
Covered calls	78,454,029	78,454,029	-	-
Corporate notes	9,769,629	-	9,769,629	-
U.S. agencies	54,769,627	-	54,769,627	-
U.S. Treasury notes	41,496,738	41,496,738	-	-
	<u>\$ 388,344,518</u>	<u>\$ 323,805,262</u>	<u>\$ 64,539,256</u>	<u>\$ -</u>

As of June 30, 2022, the Trust Fund had the following investments and level inputs:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments				
Mutual funds				
Index funds	\$ 180,322,022	\$ 180,322,022	\$ -	\$ -
Covered calls	70,755,544	70,755,544	-	-
Corporate notes	17,883,159	-	17,883,159	-
U.S. agencies	21,943,141	-	21,943,141	-
U.S. Treasury notes	58,593,750	58,593,750	-	-
	<u>\$ 349,497,616</u>	<u>\$ 309,671,316</u>	<u>\$ 39,826,300</u>	<u>\$ -</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.

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### 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, 2023, the Trust Fund had the following investments and maturities 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	\$ 9,769,629	\$ -	\$ 3,309,309	\$ 6,460,320	\$ -
U.S. agencies	54,769,627	637	-	-	54,768,990
U.S. Treasury notes	41,496,738	-	8,864,814	18,351,520	14,280,404
	<u>\$ 106,035,994</u>	<u>\$ 637</u>	<u>\$12,174,123</u>	<u>\$24,811,840</u>	<u>\$69,049,394</u>

As of June 30, 2022, the Trust Fund had the following investments and maturities 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	\$ 17,883,159	\$ -	\$ 2,438,652	\$15,444,507	\$ -
U.S. agencies	21,943,141	-	2,700	-	21,940,441
U.S. Treasury notes	58,593,750	-	8,138,627	33,394,225	17,060,898
	<u>\$ 98,420,050</u>	<u>\$ -</u>	<u>\$10,579,979</u>	<u>\$48,838,732</u>	<u>\$39,001,339</u>

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### 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. At June 30, 2023, the Trust Fund's investments 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) as of:

	Fair Value	Credit Quality Ratings				
		AAA	AA	A	BBB	Unrated
Investments						
Corporate notes	\$ 9,769,629	\$ -	\$ -	\$ 4,620,243	\$ 5,149,386	\$ -
U.S. agencies	54,769,627	-	54,769,627	-	-	-
	<u>\$ 64,539,256</u>	<u>\$ -</u>	<u>\$ 54,769,627</u>	<u>\$ 4,620,243</u>	<u>\$ 5,149,386</u>	<u>\$ -</u>

At June 30, 2022, the Trust Fund's investments 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) as of:

	Fair Value	Credit Quality Ratings				
		AAA	AA	A	BBB	Unrated
Investments						
Corporate notes	\$ 17,883,159	\$ -	\$ -	\$ 8,068,965	\$ 9,814,194	\$ -
U.S. agencies	21,943,141	-	21,943,141	-	-	-
	<u>\$ 39,826,300</u>	<u>\$ -</u>	<u>\$ 21,943,141</u>	<u>\$ 8,068,965</u>	<u>\$ 9,814,194</u>	<u>\$ -</u>

In addition, at June 30, 2023 and 2022, \$88,925 and \$148,430, respectively, of the Trust Fund's cash equivalents are AAA money market mutual funds that invest primarily in securities issued by the U.S. Treasury or other obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities and repurchase agreements secured by such obligations or cash.

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, 2023, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal National Mortgage Association - Mortgage Backed Security	\$ 35,702,591	9.19%

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At June 30, 2022, the following investments exceeded 5% of the Trust Fund's total investments:

	<u>Fair Value</u>	<u>Percentage</u>
Federal Home Loan Mortgage Corp - Mortgage Backed Security	\$ 19,595,696	5.61%

**Other Risk**

The Trust Fund invests in various equity mutual funds, including at June 30, 2023 and 2022. Equity mutual funds comprised approximately 72.70% and 71.84% 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.

**Note 4 - Capital Assets**

The following schedule summarizes the changes in capital assets for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets being depreciated				
Computer equipment	\$ 168,025	\$ -	\$ -	\$ 168,025
Less accumulated depreciation	<u>(168,025)</u>	<u>-</u>	<u>-</u>	<u>(168,025)</u>
Capital assets being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Right to use leased assets being amortized				
Equipment	\$ -	\$ 6,753	\$ -	\$ 6,753
Less accumulated amortization	<u>-</u>	<u>(2,794)</u>	<u>-</u>	<u>(2,794)</u>
Right of use leased assets, net	<u>-</u>	<u>3,959</u>	<u>-</u>	<u>3,959</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 3,959</u>	<u>\$ -</u>	<u>\$ 3,959</u>

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The following schedule summarizes the changes in capital assets for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets being depreciated				
Computer equipment	\$ 168,025	\$ -	\$ -	\$ 168,025
Less accumulated depreciation	(161,460)	(6,565)	-	(168,025)
Total capital assets, net	<u>\$ 6,565</u>	<u>\$ (6,565)</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 5 - 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. A summary of the APV and net position available is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Leases	\$ -	\$ 5,215	\$ (1,138)	\$ 4,077	\$ 1,399

The following assumptions were used in the actuarial valuation for the year ended June 30, 2023:

- Investment Rates: The investment yield assumption is 5.25% which is a different assumption used than the June 30, 2022 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2024-2025	1.90%	1.90%
2025-2026	2.70%	2.70%
2026-2027	5.20%	5.20%
2027-2028+	4.00%	4.00%



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The following assumptions were used in the actuarial valuation for the year ended June 30, 2022:

- Investment Rates: The investment yield assumption is 5.00% per year, which is a different assumption used than the June 30, 2021 actuarial report.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2023-2024	2.50%	2.50%
2024-2025	1.90%	1.90%
2025-2026	2.70%	2.70%
2026-2027+	4.00%	3.50%

Changes in the Trust Fund's tuition benefits payable at June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Tuition benefits payable	\$ 205,181,491	\$ 17,649,097	\$ (43,195,010)	\$ 179,635,578	\$ 16,955,948

Changes in the Trust Fund's tuition benefits payable at June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Tuition benefits payable	\$ 208,140,441	\$ 19,132,920	\$ (22,091,870)	\$ 205,181,491	\$ 19,672,444

## Note 6 - Leases

Changes in long-term lease liabilities during the year ended June 30, 2023, are as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Leases	\$ -	\$ 5,215	\$ (1,138)	\$ 4,077	\$ 1,399

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Remaining principal and interest payments on leases are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,399	\$ 99
2025	1,443	57
2026	1,235	14
	<u>\$ 4,077</u>	<u>\$ 170</u>

The Trust Fund is allocated a portion of the five lease agreements for copier machines entered into by the State Treasurer's Office. The Trust Fund is required to make a portion of the principal and interest payments through March 31, 2026. The lease liability was valued using the discount rate of 3.00% which was determined based on the State of Nevada's incremental borrowing rate at the inception of the leases.

#### **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 *Annual Comprehensive Financial Report* for the year ended June 30, 2023 and 2022.

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 *Annual Comprehensive Financial Report* for the year ended June 30, 2023 and 2022.

#### **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.



**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  
Nevada College Savings Plan Board  
Carson City, Nevada

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Higher Education Tuition Trust Enterprise Fund (the Trust Fund) of the State of Nevada, as of and for the years ended June 30, 2023 and 2022, 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 May 1, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust Fund of the State of Nevada's internal control over financial reporting (internal control) as a basis for designing 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 Trust Fund of the State of Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund of the State of Nevada'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 by those charged with 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust Fund of the State of Nevada's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Trust Fund of the State of Nevada's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Trust Fund of the State of Nevada's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Trust Fund of the State of Nevada's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 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 Trust Fund of the State of Nevada'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  
May 1, 2024

**2023-001      Financial Statement Preparation  
Material Weakness**

<i>Criteria:</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the components of an effective system of internal control over financial reporting is the preparation of full disclosure financial statements.
<i>Condition:</i>	<p>Management prepares internal use financial statements. However, management required the assistance of the external audit firm to prepare the Higher Education Tuition Trust Enterprise Fund's (the Trust Fund) audited financial statements and related note disclosures.</p> <p>Although the preparation of financial statements as a part of the audit engagement is not unusual, it may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by the Trust Fund's personnel.</p>
<i>Cause:</i>	Accounting personnel do not have the current resources of time and training necessary to prepare the financial statements in accordance with generally accepted accounting principles. As a result, the Trust Fund chose to contract with Eide Bailly, LLP to the prepare its financial statements.
<i>Effect:</i>	The internal interim financial information prepared by the Trust Fund may not comply with generally accepted accounting principles.
<i>Recommendation:</i>	We recommend the Trust Fund allocate the resources necessary to provide sufficient training to enable the preparation of the financial statements in accordance with generally accepted accounting principles.
<i>Views of Responsible Officials:</i>	Management agrees with this finding.