



Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021

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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 (the Trust Fund) of the State of Nevada, as of and for the years ended June 30, 2022 and 2021, 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 Trust Fund of the State of Nevada, as of June 30, 2022 and 2021, and the changes in its financial position and 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, 2022 and 2021, or 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 March 2, 2023 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned to the left of the date and location text.

Reno, Nevada
March 2, 2023

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, 2022 and 2021.

FINANCIAL HIGHLIGHTS

The Trust Fund's financial position declined in FY 2022.

- The Trust Fund's total assets and deferred outflows decreased from \$428,128,694 in FY 2021 to \$387,907,372 in FY 2022, a decrease of \$40,221,322. This represents a decrease of 9.39% 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 2022 was \$182,019,785, which is a decrease of \$37,125,446 from FY 2021. The decline 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, 2022 was 189.7%, utilizing a rate of return on actuarial value of assets of 6.55 % per year. This is an increase from the funded status of 178.9% as of June 30, 2021, and the funded status of 165.7% as of June 30, 2020, 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 and liabilities and deferred inflows 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, 2022 and 2021

NET POSITION

Net position may serve over time as a useful indicator of financial position. The Trust Fund's net position declined in FY 2022. The net position increased from \$141,956,920 in FY 2020 to \$219,145,231 in FY 2021 and then decreased to \$182,019,785 in FY 2022, an increase of \$77,188,311 and a decrease of \$37,125,446, respectively, or 54.37% and -16.94%, respectively, over the prior fiscal years. These increases and decreases were primarily due to fluctuations in investment performance.

The vast majority of the Trust Fund's assets, 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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Current and other assets	\$ 387,764,053	\$ 428,052,879	\$ 349,024,684
Net capital assets	-	6,565	23,263
Total Assets	<u>387,764,053</u>	<u>428,059,444</u>	<u>349,047,947</u>
Deferred Outflows			
Pension related	143,319	53,565	60,453
OPEB related	-	15,685	6,486
Total Deferred Outflows	<u>143,319</u>	<u>69,250</u>	<u>66,939</u>
Liabilities			
Current liabilities	19,818,118	20,206,968	19,492,782
Noncurrent liabilities	<u>185,877,644</u>	<u>188,746,470</u>	<u>187,625,595</u>
Total Liabilities	<u>205,695,762</u>	<u>208,953,438</u>	<u>207,118,377</u>
Deferred Inflows			
Pension related	185,748	20,384	32,238
OPEB related	<u>6,077</u>	<u>9,641</u>	<u>7,351</u>
Total Deferred Inflows	<u>191,825</u>	<u>30,025</u>	<u>31,589</u>
Net Position			
Net investment in capital assets	-	6,565	23,263
Restricted	<u>182,019,785</u>	<u>219,138,666</u>	<u>141,933,657</u>
Total Net Position	<u>\$ 182,019,785</u>	<u>\$ 219,145,231</u>	<u>\$ 141,956,920</u>

State of Nevada
Office of the State Treasurer
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Management's Discussion and Analysis
June 30, 2022 and 2021

CHANGE IN NET POSITION

Higher Education Tuition Trust Fund Change in Net Position

	2022	2021	2020
Operating Revenues			
Tuition contributions and other revenues	\$ 10,433,413	\$ 11,630,844	\$ 11,708,884
Operating Expenses			
Operating expenses before depreciation	13,536,086	17,721,452	11,156,226
Depreciation	6,565	16,698	16,745
Total Operating Expenses	13,542,651	17,738,150	11,172,971
Operating Income (Loss)	(3,109,238)	(6,107,306)	535,913
Nonoperating revenues (expenses) and interest income	(34,689,446)	82,592,063	12,880,590
Contribution - State of Nevada College Savings Endowment Account	673,238	703,554	793,692
Change in Net Position	(37,125,446)	77,188,311	14,210,195
Net Position, July 1	219,145,231	141,956,920	127,746,725
Net Position, June 30	\$ 182,019,785	\$ 219,145,231	\$ 141,956,920

Tuition contributions and revenues in FY 2021 decreased to \$11,630,844 from FY 2020. Tuition contributions and revenues in FY 2022 decreased to \$10,433,413. The 0.67% and 10.30% decreases, respectively, are both attributable to a decrease in the total number of contracts sold in FY 2022 and FY 2021, 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 Plan primarily consist of future tuition benefits, which are calculated to be \$9,075,738 on an accrued actuarial basis in FY 2022 and \$13,828,759 in FY 2021. Total operating expenses increased by roughly 58.76% from \$11,172,971 in FY 2020 to \$17,738,150 in FY 2021. Total operating expenses decreased by roughly 23.65% from \$17,738,150 in FY 2021 to \$13,542,651 in FY 2022. These changes are mainly due to the fluctuation in tuition benefits expense. Actuarial assumption changes were based on a Nevada Prepaid Tuition actuarial experience studies performed in FY 2022 and FY 2021, which resulted in a reduction in the overall actuarial liabilities.

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 2022, 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 \$(6,107,306) in FY 2021 to \$(3,109,238) in FY 2022. This is not consistent with FY 2021, where the change in the actuarial accruals had a negative impact on the net position with the decrease from \$535,913 in FY 2020 to \$(6,107,306) to FY 2021.

CAPITAL ASSET ADMINISTRATION

The Trust Fund's investment in capital assets as of June 30, 2022, amounts to \$ - (net of accumulated depreciation), which 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

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 -8.92% while the rate of return on the actuarial value of assets for year ended June 30, 2022 was 6.55%.

Based on a price inflation rate of 2.25% 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 5.00% 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 189.7%. 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, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 6,333,974	\$ 9,475,893
Investment income receivable	639,316	484,163
Prepaid items	2	391
Due from State of Nevada	13,465	37,207
Tuition contributions receivable, current portion	7,127,697	7,794,568
Investments	349,497,616	383,915,263
Total current assets	363,612,070	401,707,485
Noncurrent assets		
Capital assets, net	-	6,565
Other noncurrent assets		
Tuition contributions receivable	24,151,983	26,345,394
Total noncurrent assets	24,151,983	26,351,959
Total assets	387,764,053	428,059,444
Deferred outflows of resources		
Pension related	143,319	53,565
OPEB related	-	15,685
Total deferred outflows	143,319	69,250
Total assets and deferred outflows	387,907,372	428,128,694

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Enterprise Fund
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Liabilities		
Current liabilities		
Accounts payable	\$ 97,282	\$ 158,105
Accrued salaries and benefits	48,392	60,772
Due to State of Nevada	-	124,665
Tuition benefits payable, current portion	19,672,444	19,863,426
Total current liabilities	19,818,118	20,206,968
Noncurrent liabilities		
Tuition benefits payable, net of current portion	185,509,047	188,277,015
Net pension liability	219,617	333,705
Net OPEB liability	148,980	135,750
Total noncurrent liabilities	185,877,644	188,746,470
Total liabilities	205,695,762	208,953,438
Deferred inflows of resources		
Pension related	185,748	20,384
OPEB related	6,077	9,641
Total deferred inflows	191,825	30,025
Total liabilities and deferred inflows	205,887,587	208,983,463
Net Position		
Net investment in capital assets	-	6,565
Restricted for tuition trust activities	182,019,785	219,138,666
Total net position	\$ 182,019,785	\$ 219,145,231

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, 2022 and 2021

	2022	2021
Operating Revenues		
Tuition contributions	\$ 13,238,793	\$ 14,057,311
Change in actuarial value of future tuition collections	(2,860,282)	(2,502,267)
Charges for sales and services	54,902	75,800
Total operating revenues	10,433,413	11,630,844
Operating Expenses		
Personnel costs	234,102	250,144
Contract and other administrative services	718,445	625,605
Tuition benefits expense	12,034,688	12,033,406
Change in actuarial value of future tuition benefits	(2,958,950)	1,795,353
Refunds	3,507,801	3,016,944
Depreciation	6,565	16,698
Total operating expenses	13,542,651	17,738,150
Operating Loss	(3,109,238)	(6,107,306)
Nonoperating Revenues (Expenses)		
Interest, dividends and other investment income	4,859,376	4,342,900
Net increase (decrease) in fair value of investments	(39,548,822)	78,249,163
Contribution from the State of Nevada General Fund - College Savings Endowment Account	673,238	703,554
Total nonoperating revenues (expenses)	(34,016,208)	83,295,617
Change in Net Position	(37,125,446)	77,188,311
Net Position, Beginning of Year	219,145,231	141,956,920
Net Position, End of Year	\$ 182,019,785	\$ 219,145,231

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Enterprise Fund
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating Activities		
Receipts for sales and services	\$ 54,902	\$ 75,800
Tuition contributions received	13,238,793	14,057,311
Payments to suppliers for good and services	(880,191)	(643,023)
Payments to employees	(259,220)	(222,403)
Payments for tuition benefits	(12,034,688)	(12,033,408)
Payments of refunds	(3,507,801)	(3,016,944)
Net Cash used for Operating Activities	(3,388,205)	(1,782,667)
Noncapital Financing Activities		
Contribution from the State of Nevada General Fund - College Savings Endowment Account	673,238	703,554
Investing Activities		
Proceeds from sales or maturities of investments	10,449,207	44,327,541
Purchase of investments	(15,580,382)	(42,868,567)
Interest, dividends and other investment income received	4,704,223	4,245,495
Net Cash from (used for) Investing Activities	(426,952)	5,704,469
Net Change in Cash and Cash Equivalents	(3,141,919)	4,625,356
Cash and Cash Equivalents, Beginning of Year	9,475,893	4,850,537
Cash and Cash Equivalents, End of Year	\$ 6,333,974	\$ 9,475,893

State of Nevada
Office of the State Treasurer
Higher Education Tuition Trust Enterprise Fund
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income to net cash from operating activities		
Operating loss	\$ (3,109,238)	\$ (6,107,306)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	6,565	16,698
Changes in		
Due from State of Nevada	23,742	(17,240)
Prepaid items	389	(272)
Tuition contributions receivable	2,860,282	2,502,267
Accounts payable and accrued salaries and benefits	(73,203)	17,185
Due to State of Nevada	(124,665)	15,210
Net pension liability	(114,088)	(7,431)
Net OPEB liability	13,230	14,746
PERS and OPEB deferred outflows of resources	(74,069)	(2,311)
PERS and OPEB deferred inflows of resources	161,800	(9,564)
Tuition benefits payable	(2,958,950)	1,795,351
Net Cash used for Operating Activities	\$ (3,388,205)	\$ (1,782,667)
Noncash Investing Activities		
Net increase (decrease) in fair value of investments	\$ (39,548,822)	\$ 78,249,163

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-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.

The Trust Fund completed its twenty-first enrollment period on April 30, 2021 with 498 new enrollments. The Trust Fund also had 672 removed contracts for a total active enrollment of 11,989 at June 30, 2021.

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.

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.

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 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”. 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.

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 \$6,333,974 and \$9,779,354 cash and cash equivalents at June 30, 2022 and 2021, respectively, \$6,185,544 and \$9,039,878 represents the Trust Fund's investment in the State of Nevada's external investment pool. The remaining balances of \$148,430 and \$739,476, respectively, consist of money market mutual funds.

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 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.

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;
- 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.

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June 30, 2022 and 2021

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>

As of June 30, 2021, 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	\$ 203,579,985	\$ 203,579,985	\$ -	\$ -
Covered calls	74,393,506	74,393,506	-	-
Corporate notes	9,562,939	-	9,562,939	-
U.S. agencies	39,870,940	-	39,870,940	-
U.S. Treasury notes	56,507,893	56,507,893	-	-
	<u>\$ 383,915,263</u>	<u>\$ 334,481,384</u>	<u>\$ 49,433,879</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.

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.

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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>

As of June 30, 2021, 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	\$ 9,562,939	\$ -	\$ -	\$ 5,345,957	\$ 4,216,982
U.S. agencies	39,870,940	-	6,176	-	39,864,764
U.S. Treasury notes	56,507,893	-	8,947,290	47,560,603	-
	<u>\$ 105,941,772</u>	<u>\$ -</u>	<u>\$ 8,953,466</u>	<u>\$ 52,906,560</u>	<u>\$ 44,081,746</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. 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>

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At June 30, 2021, 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				Unrated
		AAA	AA	A	BBB	
Investments						
Corporate notes	\$ 9,562,939	\$ -	\$ -	\$ 1,529,591	\$ 8,033,348	\$ -
U.S. agencies	39,870,940	-	39,870,940	-	-	-
	<u>\$ 49,433,879</u>	<u>\$ -</u>	<u>\$ 39,870,940</u>	<u>\$ 1,529,591</u>	<u>\$ 8,033,348</u>	<u>\$ -</u>

In addition, at June 30, 2022 and 2021, \$148,430 and \$739,476, respectively, of the Trust Fund's cash equivalents are AAA money market mutual funds that invest in 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, 2022, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal National Mortgage Association - Mortgage Backed Security	\$ 19,595,696	5.61%

At June 30, 2021, the following investments exceeded 5% of the Trust Fund's total investments:

	Fair Value	Percentage
Federal Home Loan Mortgage Corp - Mortgage Backed Security	\$ 39,870,940	10.39%

Other Risk

The Trust Fund invests in various equity mutual funds, including at June 30, 2022 and 2021, when equity mutual funds comprised approximately 71.84% and 72.40% 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, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets				
Computer equipment	\$ 168,025	\$ -	\$ -	\$ 168,025
Less accumulated depreciation	(161,460)	(6,565)		(168,025)
Capital Assets, Net	<u>\$ 6,565</u>	<u>\$ (6,565)</u>	<u>\$ -</u>	<u>\$ -</u>

The following schedule summarizes the changes in capital assets for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital Assets				
Computer equipment	\$ 168,025	\$ -	\$ -	\$ 168,025
Less accumulated depreciation	(144,762)	(16,698)	-	(161,460)
Capital Assets, Net	<u>\$ 23,263</u>	<u>\$ (16,698)</u>	<u>\$ -</u>	<u>\$ 6,565</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.

	June 30, 2022	June 30, 2021
APV of the Future Tuition Obligation	\$ 205,181,491	\$ 208,140,441
Net Position Available	387,201,276	427,285,672
Net Position as a Percentage of Tuition Benefits Obligation	188.71%	205.29%

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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% which is the same 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%

The following assumptions were used in the actuarial valuation for the year ended June 30, 2021:

- Investment Rates: The investment yield assumption is 5.00% per year, which is a different assumption used than the June 30, 2020 actuarial report, which was 5.25%.
- Tuition Growth Assumptions:

Fiscal Year Ended	Universities	Community Colleges
2022-2023	2.80%	2.80%
2023-2024	2.50%	2.50%
2024-2025	1.90%	1.90%
2025-2026+	4.00%	3.50%

Changes in the Trust Fund's noncurrent liabilities 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

Changes in the Trust Fund's noncurrent liabilities at June 30, 2021:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Tuition benefits payable	\$ 206,345,090	\$ 22,435,441	\$ (20,640,090)	\$ 208,140,441	\$ 19,863,426

Note 6 - 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, 2022 and 2021.

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, 2022 and 2021.

Note 7 - 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, 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, 2022 and 2021, 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 March 2, 2023.

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 2022-001 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Trust Fund of the State of Nevada's response to the findings 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". The signature is written in dark ink and is positioned in the lower-left area of the page.

Reno, Nevada
March 2, 2023

**2022-001 Financial Statement and Reconciliation Controls
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is the preparation of full disclosure financial statements that do not require adjustment as part of the audit process.

Condition: 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. 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.

In addition, we proposed audit adjustments related to investments, accounts payable, cash, and net increase/decrease in fair value of investments.

Cause: 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. In addition, the Trust Fund did not have adequate internal controls to ensure investment and related balances were appropriately reconciled and recorded.

Effect: The Trust Fund's internally prepared records upon which the financial statements are prepared did not contain all information required by generally accepted accounting principles. Correcting audit entries were posted for:

- \$21,124,245 overstatement of investments
- \$4,996,990 overstatement of accounts payable
- \$148,430 understatement of cash equivalents
- \$15,978,825 overstatement of net increase/decrease in fair value of investments

Recommendation: 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 and enhance internal controls to ensure investment and related balances are appropriately reconciled and recorded.

Views of Responsible Officials: Management agrees with this finding.