

Nevada Prepaid Tuition Program
Fiscal Year 2006 Annual Report



Kate Marshall
State Treasurer

Kate Marshall
State Treasurer



Patrick Foley
Chief Deputy Treasurer

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Chief of Staff

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
NEVADA PREPAID TUITION PROGRAM

March 31, 2007

The Honorable Jim Gibbons
Governor of the State of Nevada
Capitol Building
Carson City, Nevada 89701

Dear Governor Gibbons:

In accordance with Nevada Revised Statute 353B.170, I respectfully submit the Fiscal Year 2006 Nevada Prepaid Tuition Program Annual Report on behalf of the Board of Trustees of the College Savings Plans of Nevada (Board).

The Nevada Prepaid Tuition Program (Program) began in 1998 as Nevada's first 529 plan. All 50 states and the District of Columbia have a Section 529 plan which is similar in operation to Nevada's plans and Nevada added a 529 college savings plan in 2001. More than 9 million children across the country have been enrolled in a plan, representing national savings of more than \$97 billion. Our mission is to increase access to higher education by offering families a simple, safe, and affordable way to save for college expenses. In 2006, Congress passed the Pension Protection Act (H.R.4) which removed the 2010 sunset and makes permanent the exemption from federal income tax for all 529 accounts.

The Program's eighth annual enrollment period, which was open from September 30, 2005 until February 28, 2006, enrolled an additional 645 children in the program. This brought the total number of enrollees in the Program to 11,885 as of June 30, 2006, with over \$88 million invested on their behalf. The primary factor contributing to the continuing increase in enrollees was the numerous public presentations conducted by the State Treasurer's office, which helped parents understand the benefits of a 529 plan in saving early for their children's college tuition.

The Board continued to apply professional investment management policies to maximize the earnings for the Higher Education Tuition Trust Fund. For the fiscal year ended June 30, 2006 the Nevada Higher Education Tuition Trust Fund produced an annual rate of return of 6.43% earnings on its investments. Both the fixed income investments exceeded their benchmark by 38 and 72 basis points respectively and the enhanced equity investment exceeded the benchmark by 176 basis points. The equity mutual fund investments exceeded the benchmarks by 361 basis points.

The Board works diligently to analyze and support the fiscal strength of the Nevada Higher Education Tuition Trust Fund. The Board has directed the investment of the assets be divided equally

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between fixed income and equities. The equity side is then further diversified to include 58% in Large Cap Equities, 28% in Mid Cap Equities and 14% in Small Cap Equities. As a reminder, the monies used to support the Program are derived from the Program's Trust Fund, not the State's general fund.

The Board ensures that an annual actuarial valuation is performed on the Higher Education Tuition Trust Fund to calculate the present value of all the obligations and compare that to the assets in the Fund. The *FY 06 Actuarial Valuation* states that the program has sufficient assets to cover the actuarially estimated cost of all the tuition obligations under the contracts outstanding. The actuaries project a \$10.7 million surplus in the year 2027 when all obligations are paid in full. The Board also has an annual independent audit completed of the Program and the Fund. For FY 06, the Program once again received a clean audit with no exceptions noted. The Program's current annual actuarial valuation report and the annual audit are both included in this Annual Report.

The Nevada Prepaid Tuition Program addressed several challenges during Fiscal Year 2006 as follows:

- Paying tuition on behalf of 925 beneficiaries matriculating to college in FY 06, an increase of 286 since FY 05.
- Examining the optimum asset allocation via efficient frontier analysis for the equity and fixed income portfolios to maximize the earnings of the Trust Fund.
- Continuing to adapt to the changing marketplace of 529 college savings programs.
- Successfully working with the National Association of State Treasurers and College Savings Plans Network Federal Initiatives Committee to gain congressional approval of the Pension Protection Act (H.R.4), which made permanent the favorable tax provisions in place for Section 529 plans. After a decade of work, families now have the certainty that the tax advantages of 529 plans will be there when they send their children to college.

We are proud of our Program and commit to continue helping Nevada families save for college for their children. Thank you for your continued support of the Nevada Prepaid Tuition Program.

Best regards,



Kate Marshall
State Treasurer

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PROGRAM STATISTICS SUMMARY

Attached are tables and charts of demographic information collected from the enrollment forms submitted by purchasers who enrolled children in the Program. This is optional information submitted by purchasers on a strictly voluntary basis. The information collected is presented by enrollment year and on a cumulative basis. Statistics are collected for the following data elements:

Choice of Plans and Payment Options

Contracts by County

Beneficiary's Age and Grade

Race of Beneficiary

Beneficiary's Relationship to Purchaser

Purchaser's Education Level

Purchaser's Income Range

Referral Source- How the Purchaser First Learned of the Program

Liability by Projected Enrollment Year

After eight years of collecting this information, the following trends have emerged:

- The four-year university plan remains the most popular, with 79.72% choosing this plan option during Fiscal Year 2006.
- The five year and extended monthly installment payment options are the most popular, with 41% selecting these options in FY 06. The lump sum payment option plan was chosen by 35% and the down payment option was chosen by the remaining 24%.
- Residents of Clark County purchased 47.99% of the contracts and residents of Washoe County purchased 29.26% of the contracts in FY 06.
- More parents are saving early for college expenses. In FY 2006, newborns accounted for 19.20% of the beneficiaries, compared to only 15.21% of the cumulative total since 1998. The average age of the beneficiary is six years old.
- Fifty two percent (52.79%) of the beneficiaries are Caucasian for contracts sold in FY 2006. The next largest groups of beneficiaries are Asian and Hispanic, accounting for approximately 9.13% and 8.36% respectively of the FY 2006 contracts sold. African-Americans account for 2.48% and Native Americans account for 0.77% of the beneficiaries. Purchasers chose not to provide this information on 24.30% of the enrollment forms.
- Parents purchased the largest percentage of contracts (76.78%) for their children in FY 06, followed by grandparents (13.16%).

- Purchasers who had a high school diploma or GED increased slightly from 16.85% last year to 17.80% this year. The number of purchasers with a Bachelor's degree was 24.15%, while the number of purchasers holding a master's degree or Ph.D was 12.54%. Purchasers chose not to provide this information on 28.02% of the enrollment forms.
- Purchasers with annual household incomes under \$49,000 represented 9.44% of the purchasers. Purchasers with annual household incomes ranging from \$50,000 to \$79,000 represented 14.09% of the purchasers. Purchasers chose not to provide this information on 34.06% of the enrollment forms.
- The referral source has changed since the inception of the Program. During the first three enrollment periods, approximately 40% of purchasers stated they learned about the Program through television and radio advertising. No television or radio advertising has been done for this program for the last several years. In FY 06 17.65% learned about the Program through word of mouth and 18.73% from the state treasurer's website. Purchasers chose not to provide this information on 49.85% of the enrollment forms.

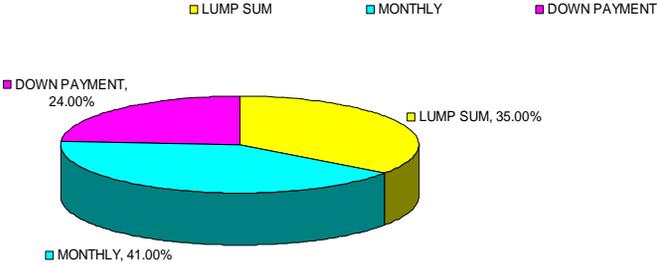
CHOICE OF PLANS AND PAYMENT OPTIONS

PAYMENT OPTION	2 YEAR COMMUNITY COLLEGE PLAN									2 YEAR COMMUNITY COLLEGE + 2 YR UNIVERSITY PLAN								
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	COMBINED	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	COMBINED
LUMP SUM	9	21	14	10	4	7	18	8	91	52	61	41	17	12	9	12	15	219
DOWN PAYMENT	-	-	4	3	2	4		5	18	-	-	27	17	8	7	20	15	94
EXTENDED MONTHLY	95	100	-	-	-	-			195	192	172	-	-	-	-			364
5 YR MONTHLY	51	34	-	-	-	-			85	96	105	-	-	-	-			201
MONTHLY	-	-	103	20	9	17	25	20	194	-	-	199	58	25	15	45	38	380
TOTAL	155	155	121	33	15	28	43	33	583	340	338	267	92	45	31	77	68	1,258
PAYMENT OPTION	2 YEAR UNIVERSITY PLAN									4 YEAR UNIVERSITY PLAN								
	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	COMBINED	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	COMBINED
LUMP SUM	-	-	19	17	10	13	17	5	81	647	667	485	368	173	163	187	195	2,885
DOWN PAYMENT	-	-	17	5	4	4	16	7	53	-	-	287	171	94	69	129	131	881
EXTENDED MONTHLY	-	-	-	-	-	-			-	937	888	-	-	-	-			1,825
5 YR MONTHLY	-	-	-	-	-	-			-	804	802	-	-	-	-			1,606
MONTHLY	-	-	136	35	15	12	27	18	243	-	-	1,250	508	200	148	222	189	2,517
TOTAL	-	-	172	57	29	29	60	30	377	2,388	2,357	2,022	1,047	467	380	538	515	9,714

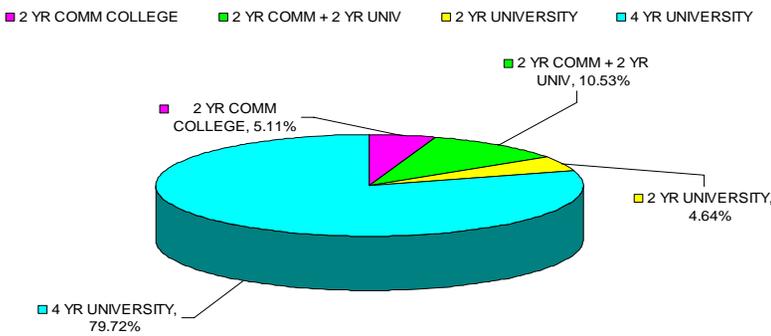
SUMMARY OF PAYMENT OPTIONS									
PAYMENT OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	COMBINED
LUMP SUM	24.50%	26.20%	21.70%	33.50%	35.80%	41.00%	33.00%	35.00%	27.46%
MONTHLY	75.50%	73.80%	65.30%	50.50%	19.40%	41.00%	44.00%	41.00%	
DOWN PAYMENT	0.00%	0.00%	13.00%	16.00%	44.80%	18.00%	23.00%	24.00%	72.54%
SUMMARY OF PLAN OPTIONS									
PLAN OPTION	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	COMBINED
2 YR COMM COLLEGE	5.40%	5.40%	4.70%	2.70%	2.70%	5.98%	5.99%	5.11%	4.89%
2 YR COMM + 2 YR UNIV	11.80%	11.90%	10.30%	7.50%	8.10%	6.62%	10.72%	10.53%	10.54%
2 YR UNIVERSITY	0.00%	0.00%	6.70%	85.20%	5.30%	6.20%	8.36%	4.64%	3.16%
4 YR UNIVERSITY	82.80%	82.70%	78.30%	4.60%	83.90%	81.20%	74.93%	79.72%	81.41%

CHOICE OF PLANS AND PAYMENT OPTIONS

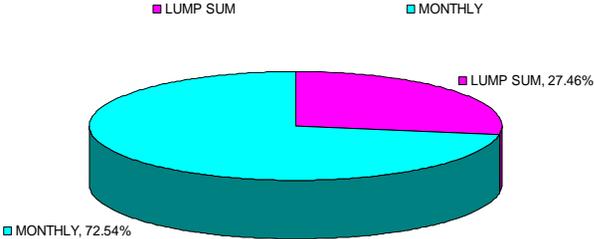
FY 06 PAYMENT OPTION



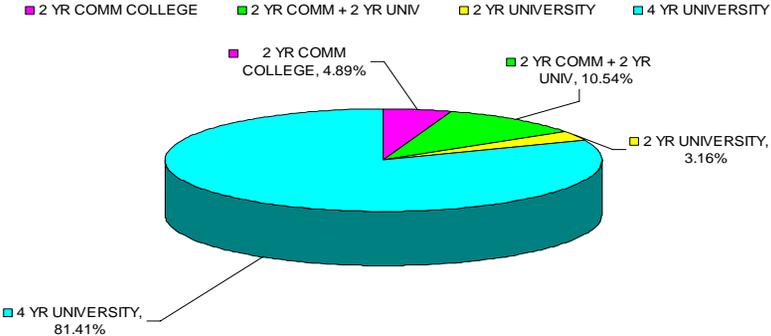
FY 06 PLAN OPTION



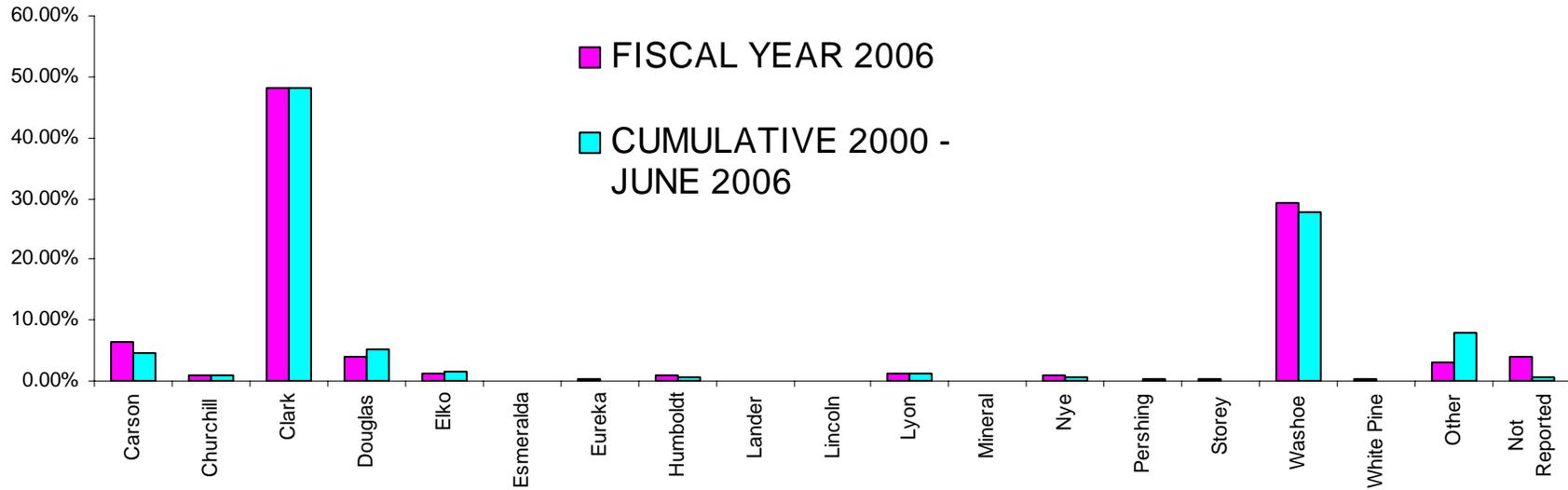
CUMULATIVE PAYMENT OPTION



CUMULATIVE PLAN OPTION



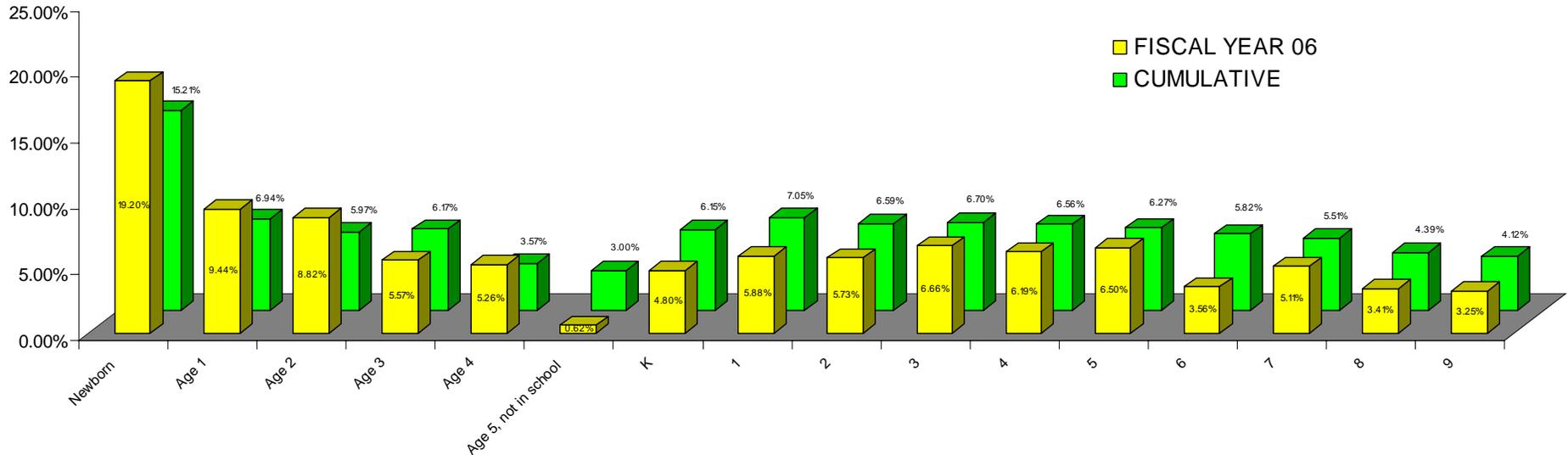
CONTRACTS BY COUNTY



FISCAL YEAR 2006			CUMULATIVE 2000 - JUNE 2006		
COUNTY	COUNT	%	COUNTY	COUNT	%
Carson	42	6.50%	Carson	366	4.58%
Churchill	5	0.77%	Churchill	74	0.93%
Clark	310	47.99%	Clark	3846	48.17%
Douglas	25	3.87%	Douglas	414	5.18%
Elko	8	1.24%	Elko	116	1.45%
Esmeralda	0	0.00%	Esmeralda	0	0.00%
Eureka	1	0.15%	Eureka	1	0.01%
Humboldt	5	0.77%	Humboldt	56	0.70%
Lander	0	0.00%	Lander	4	0.05%
Lincoln	0	0.00%	Lincoln	0	0.00%
Lyon	8	1.24%	Lyon	104	1.30%
Mineral	0	0.00%	Mineral	6	0.08%
Nye	5	0.77%	Nye	37	0.46%
Pershing	0	0.00%	Pershing	23	0.29%
Storey	1	0.15%	Storey	3	0.04%
Washoe	189	29.26%	Washoe	2224	27.85%
White Pine	1	0.15%	White Pine	12	0.15%
Other	20	3.10%	Other	641	8.03%
Not Reported	26	4.02%	Not Reported	58	0.73%
Total	646	100.00%	Total	7985	100.00%

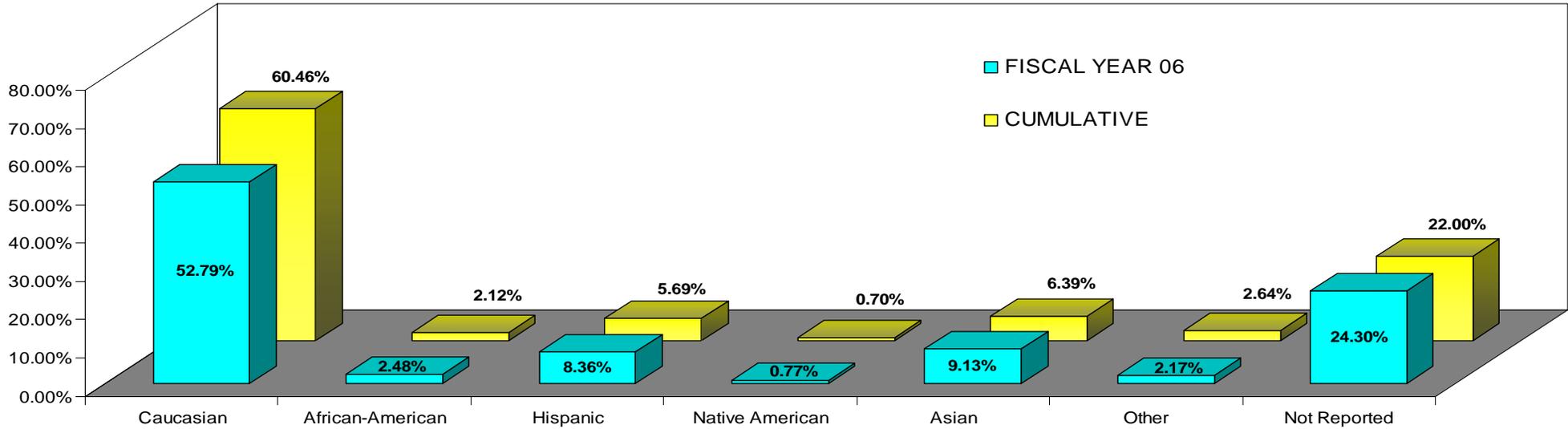
Note: Program did not track this data in 1998 & 1999

BENEFICIARY'S AGE/GRADE



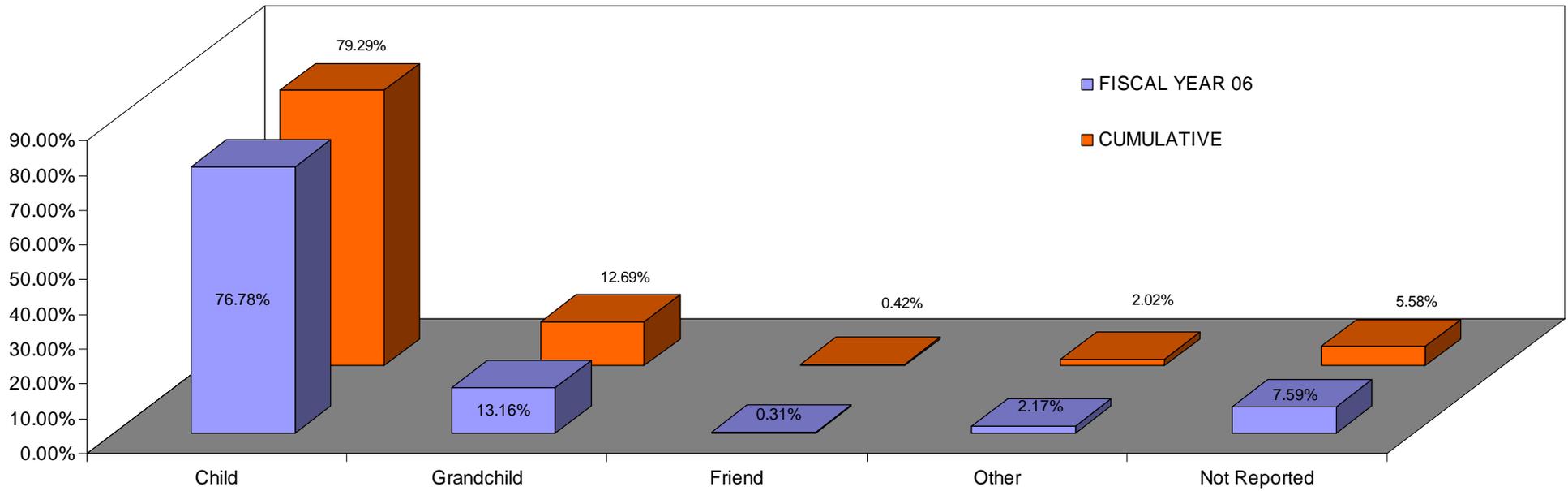
	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		FISCAL YEAR 06		CUMULATIVE	
	COUNT	%	COUNT	%														
Newborn	233	8.85%	304	11.81%	342	18.74%	215	18.74%	199	35.79%	137	29.27%	156	21.73%	124	19.20%	1710	15.21%
Age 1	159	6.04%	154	5.98%	143	5.72%	98	8.54%	34	6.12%	62	13.25%	69	9.61%	61	9.44%	780	6.94%
Age 2	153	5.81%	161	6.25%	130	5.20%	80	6.97%	27	4.86%	16	3.42%	47	6.55%	57	8.82%	671	5.97%
Age 3	186	7.06%	149	5.79%	154	6.16%	67	5.84%	27	4.86%	24	5.13%	51	7.10%	36	5.57%	694	6.17%
Age 4	100	3.80%	92	3.57%	85	3.40%	30	2.62%	17	3.06%	18	3.85%	25	3.48%	34	5.26%	401	3.57%
Age 5, not in school	101	3.84%	92	3.57%	85	3.40%	39	3.40%	8	1.44%	4	0.85%	4	0.56%	4	0.62%	337	3.00%
K	170	6.46%	170	6.60%	173	6.92%	73	6.36%	24	4.32%	25	5.34%	25	3.48%	31	4.80%	691	6.15%
1	189	7.18%	201	7.81%	172	6.88%	79	6.89%	35	6.29%	28	5.98%	50	6.96%	38	5.88%	792	7.05%
2	203	7.71%	169	6.57%	172	6.88%	68	5.93%	24	4.32%	20	4.27%	48	6.69%	37	5.73%	741	6.59%
3	193	7.33%	168	6.53%	197	7.88%	68	5.93%	31	5.58%	15	3.21%	38	5.29%	43	6.66%	753	6.70%
4	183	6.95%	181	7.03%	168	6.72%	75	6.54%	24	4.32%	19	4.06%	47	6.55%	40	6.19%	737	6.56%
5	172	6.53%	162	6.29%	172	6.88%	67	5.84%	29	5.22%	21	4.49%	40	5.57%	42	6.50%	705	6.27%
6	173	6.57%	161	6.25%	156	6.24%	62	5.41%	22	3.96%	16	3.42%	41	5.71%	23	3.56%	654	5.82%
7	170	6.46%	159	6.18%	140	5.60%	53	4.62%	14	2.52%	20	4.27%	30	4.18%	33	5.11%	619	5.51%
8	134	5.09%	127	4.93%	112	4.48%	34	2.96%	18	3.24%	22	4.70%	25	3.48%	22	3.41%	494	4.39%
9	114	4.33%	124	4.82%	99	3.96%	39	3.40%	23	4.14%	21	4.49%	22	3.06%	21	3.25%	463	4.12%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	646	100.00%	11242	100.00%

RACE OF BENEFICIARY



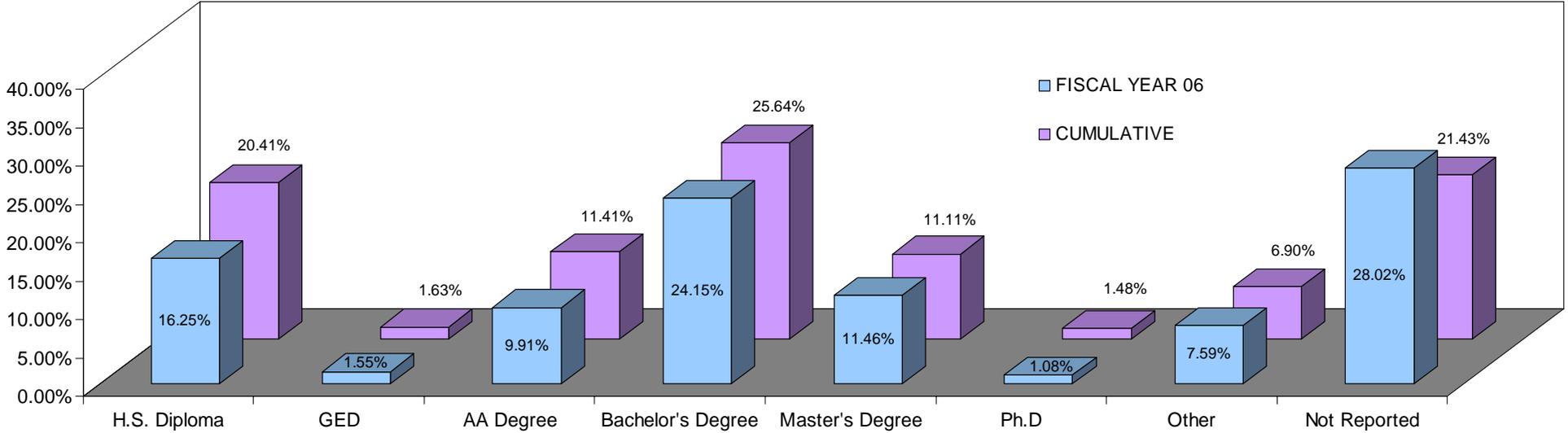
	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		FISCAL YEAR 06		CUMULATIVE	
	Count	%	Count	%														
Caucasian	1852	70.34%	1670	64.88%	1331	53.24%	701	61.12%	331	59.53%	265	56.62%	306	42.62%	341	52.79%	6797	60.46%
African-American	52	1.97%	66	2.56%	43	1.72%	30	2.62%	8	1.44%	8	1.71%	15	2.09%	16	2.48%	238	2.12%
Hispanic	145	5.51%	124	4.82%	167	6.68%	55	4.80%	30	5.40%	29	6.20%	36	5.01%	54	8.36%	640	5.69%
Native American	23	0.87%	17	0.66%	20	0.80%	7	0.61%	2	0.36%	1	0.21%	4	0.56%	5	0.77%	79	0.70%
Asian	149	5.66%	164	6.37%	139	5.56%	69	6.02%	41	7.37%	38	8.12%	59	8.22%	59	9.13%	718	6.39%
Other	66	2.51%	75	2.91%	77	3.08%	26	2.27%	9	1.62%	15	3.21%	15	2.09%	14	2.17%	297	2.64%
Not Reported	346	13.14%	458	17.79%	723	28.92%	259	22.58%	135	24.28%	112	23.93%	283	39.42%	157	24.30%	2473	22.00%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	646	100.00%	11242	100.00%

BENEFICIARY'S RELATIONSHIP TO PURCHASER



	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		FISCAL YEAR 06		CUMULATIVE	
	Count	%	Count	%														
Child	2157	81.92%	2114	82.13%	1806	72.24%	981	85.53%	406	73.02%	366	78.21%	588	81.89%	496	76.78%	8914	79.29%
Grandchild	318	12.08%	352	13.68%	333	13.32%	131	11.42%	79	14.21%	55	11.75%	74	10.31%	85	13.16%	1427	12.69%
Friend	10	0.38%	16	0.62%	12	0.48%	2	0.17%	1	0.18%	2	0.43%	2	0.28%	2	0.31%	47	0.42%
Other	60	2.28%	59	2.29%	39	1.56%	15	1.31%	12	2.16%	8	1.71%	20	2.79%	14	2.17%	227	2.02%
Not Reported	88	3.34%	33	1.28%	310	12.40%	18	1.57%	58	10.43%	37	7.91%	34	4.74%	49	7.59%	627	5.58%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	646	100.00%	11242	100.00%

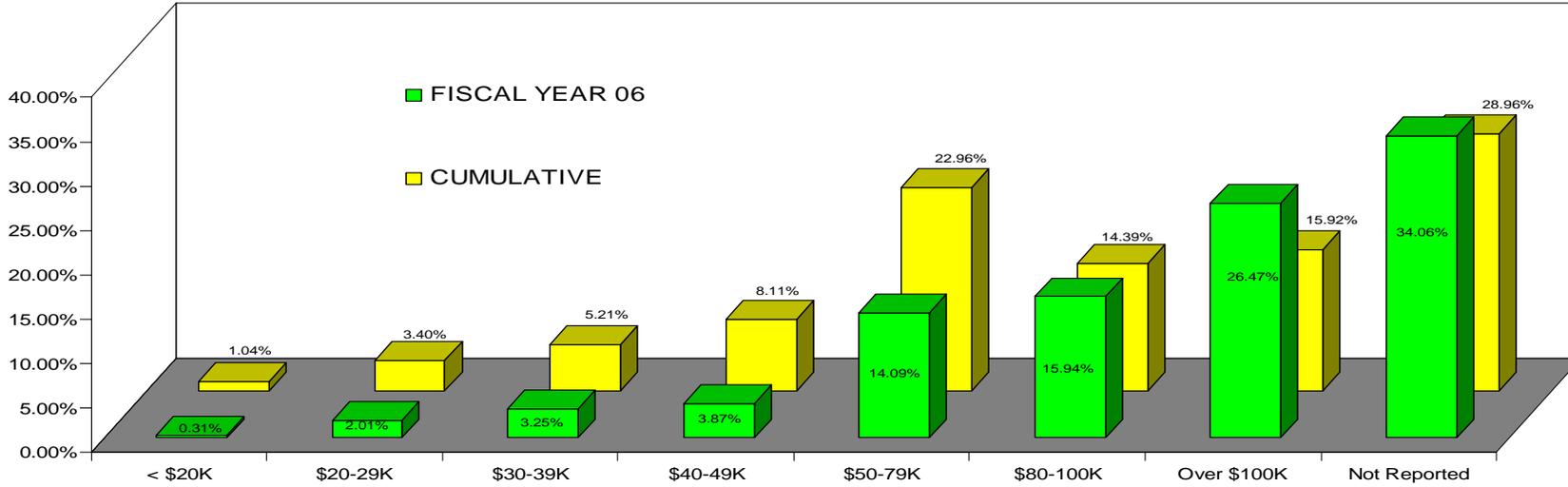
PURCHASER EDUCATION LEVEL



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Humboldt	5	0.77%	Humboldt	56	0.70%
Lander	0	0.00%	Lander	4	0.05%
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White Pine	1	0.15%	White Pine	12	0.15%
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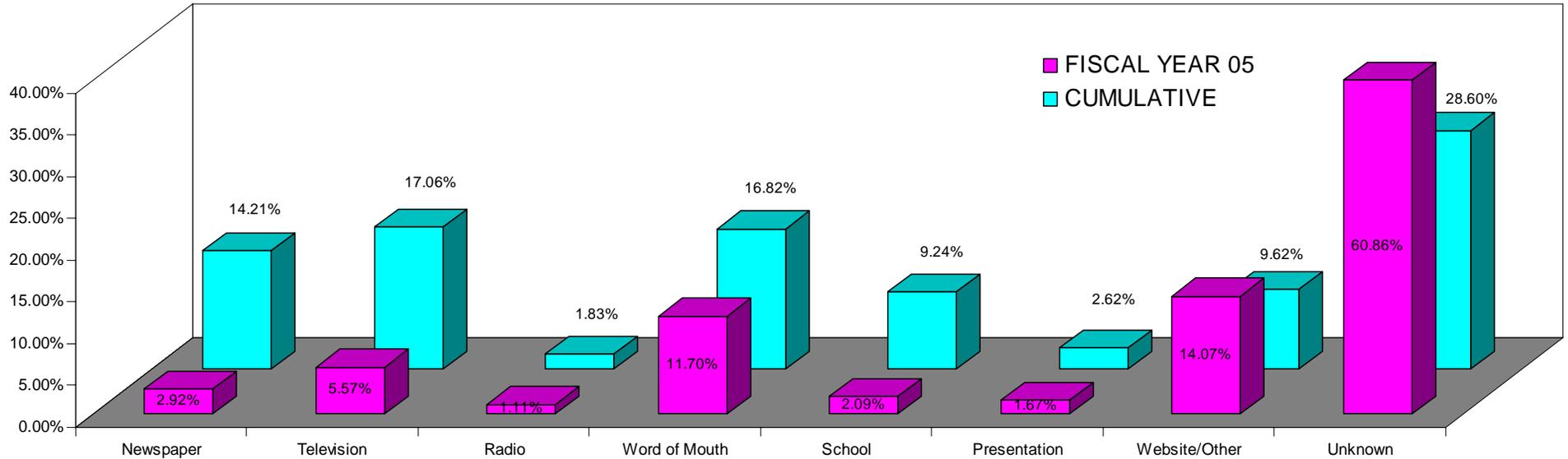
Note: Program did not track this data in 1998 & 1999

PURCHASER INCOME RANGE



	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		FISCAL YEAR 06		CUMULATIVE	
	Count	%	Count	%														
< \$20K	41	1.56%	23	0.89%	23	0.92%	13	1.13%	7	1.26%	3	0.64%	5	0.70%	2	0.31%	117	1.04%
\$20-29K	115	4.37%	110	4.27%	87	3.48%	25	2.18%	14	2.52%	2	0.43%	16	2.23%	13	2.01%	382	3.40%
\$30-39K	159	6.04%	168	6.53%	134	5.36%	58	5.06%	8	1.44%	16	3.42%	22	3.06%	21	3.25%	586	5.21%
\$40-49K	279	10.60%	275	10.68%	185	7.40%	67	5.84%	31	5.58%	25	5.34%	25	3.48%	25	3.87%	912	8.11%
\$50-79K	753	28.60%	679	26.38%	494	19.76%	229	19.97%	114	20.50%	73	15.60%	148	20.61%	91	14.09%	2581	22.96%
\$80-100K	388	14.74%	357	13.87%	322	12.88%	183	15.95%	89	16.01%	89	19.02%	87	12.12%	103	15.94%	1618	14.39%
Over \$100K	390	14.81%	344	13.36%	289	11.56%	215	18.74%	108	19.42%	91	19.44%	182	25.35%	171	26.47%	1790	15.92%
Not Reported	508	19.29%	618	24.01%	966	38.64%	357	31.12%	185	33.27%	169	36.11%	233	32.45%	220	34.06%	3256	28.96%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	646	100.00%	11242	100.00%

REFERRAL SOURCE



	FISCAL YEAR 99		FISCAL YEAR 00		FISCAL YEAR 01		FISCAL YEAR 02		FISCAL YEAR 03		FISCAL YEAR 04		FISCAL YEAR 05		FISCAL YEAR 06		CUMULATIVE	
	Count	%	Count	%														
Newspaper	741	28.14%	466	18.10%	203	8.12%	104	9.07%	26	4.68%	18	3.85%	21	2.92%	19	2.94%	1598	14.21%
Television	627	23.81%	625	24.28%	360	14.40%	150	13.08%	56	10.07%	20	4.27%	40	5.57%	40	6.19%	1918	17.06%
Radio	56	2.13%	76	2.95%	36	1.44%	23	2.01%	2	0.36%	3	0.64%	8	1.11%	2	0.31%	206	1.83%
Word of Mouth	375	14.24%	556	21.60%	386	15.44%	243	21.19%	84	15.11%	49	10.47%	84	11.70%	114	17.65%	1891	16.82%
School	267	10.14%	358	13.91%	279	11.16%	85	7.41%	10	1.80%	8	1.71%	15	2.09%	17	2.63%	1039	9.24%
Presentation	69	2.62%	86	3.34%	86	3.44%	25	2.18%	2	0.36%	3	0.64%	12	1.67%	11	1.70%	294	2.62%
Website/Other	372	14.13%	110	4.27%	197	7.88%	112	9.76%	39	7.01%	29	6.20%	101	14.07%	121	18.73%	1081	9.62%
Unknown	126	4.79%	297	11.54%	953	38.12%	405	35.31%	337	60.61%	338	72.22%	437	60.86%	322	49.85%	3215	28.60%
Total	2633	100.00%	2574	100.00%	2500	100.00%	1147	100.00%	556	100.00%	468	100.00%	718	100.00%	646	100.00%	11242	100.00%

Nevada Prepaid Tuition Program
 Liability by Projected Enrollment
 as of June 30, 2006

2002	52	0.518%
2003	174	1.733%
2004	309	3.078%
2005	390	3.885%
2006	464	4.622%
2007	534	5.320%
2008	585	5.828%
2009	630	6.276%
2010	658	6.555%
2011	638	6.356%
2012	657	6.545%
2013	672	6.695%
2014	613	6.107%
2015	615	6.127%
2016	662	6.595%
2017	574	5.718%
2018	556	5.539%
2019	434	4.324%
2020	231	2.301%
2021	260	2.590%
2022	217	2.162%
2023	113	1.126%
	10,038	100.000%

Note: This chart only includes active accounts as of 6/30/06.

FINANCIAL OBJECTIVES AND STRATEGIES

NRS 353B.190 requires the Board to contract with a certified actuary to perform an annual actuarial valuation study. The Program contracted with Milliman, USA to provide these actuarial services. Milliman's FY 06 actuarial valuation report states that the Fund has sufficient assets that exceed the best estimate of the obligations by roughly \$1 million, or 1% of obligations. The actuaries determined the stabilization reserve totaled \$1,027,350 as of June 30, 2006.

The Program contracts with a professional investment advisor to assist the Board in maximizing the earnings. The asset allocation is divided equally between fixed income and equity investments. Atlanta Capital acts as one sub-advisor for the fixed income investments and their investment return was -0.44%, which exceeded the benchmark by 38 basis points. Trusco acts as the other sub-advisor for the fixed income investments and their investment return was -0.10%, which exceeded the benchmark by 72 basis points. INVESCO acts as the enhanced index sub-advisor for the equity income investments and their investment return was 10.39%, which exceeded the benchmark by 176 basis points. The equity investments are diversified among six different mutual funds: Dodge & Cox Stock Fund, Goldman Mid Cap Value Fund, Vanguard Strategic Equity Fund, FMI Common Stock Fund, American Beacon Small Cap Value Fund and Harbor Small Cap Value Fund. The equity investments mutual funds composite return was 12.24%, which exceeded the Standard and Poor's 500 benchmark by 361 basis points. The total FY 06 earnings yielded a 6.43% return overall for the Fund.

NRS 353B.180 requires the Board to contract with a certified public accounting firm to perform an annual audit of the accounts and records of the State Treasurer and the Board. The Program contracted with Kafoury, Armstrong & Co. to conduct this annual financial audit. The audit for Fiscal Year 2006 produced a clean audit with no exceptions.

OBJECTIVES

The financial objectives of the Program have not changed since the inception of the Program. They are:

- Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program.
- Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all prepaid contracts.
- Establish contract plans and payment options that are affordable to most of Nevada's families.

STRATEGIES

Program prices are established in consideration of three basic criteria:

- The assumption regarding the growth rate of tuition at the Nevada System of Higher Education (NSHE).
- The assumption regarding the rate of return on investments.
- The method to allocate the current and future administrative expenses of the Program.

The pricing schedule used for Fiscal Year 2006 increased by approximately 10%, depending on the age of the child and the type of tuition purchased for the enrollment period during FY 2006. This increase was sufficient to cover the material increases in NSHE's tuition costs and the projected market returns on investments.

INVESTMENTS

Investments were made in accordance with the Program Investment Policies approved by the Board of Trustees of the College Savings Plans of Nevada for the Higher Education Tuition Trust Fund. The Board, in accordance with NRS 353B.90 (1), continued the program for prepayment of tuition at the guaranteed rate established by the annual actuarial study. The Board retained its anticipated average rate of market investment returns at 7.5%.

Future objectives and strategies will include a continuing reevaluation of the assumptions used to develop contract prices and the asset allocation of the Trust Fund portfolio in order to ensure its long-term financial integrity.

SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. The Board contracted with independent auditors Kafoury, Armstrong & Co., which performed the audit on the Higher Education Tuition Trust Fund for the year ended June 30, 2006.

The Trust Fund received a clean audit with no qualifications. The material issues to note are:

- The financial statements for the year ended June 30, 2005 reflected a change in accounting principle stemming from the State Controller's reconsideration of the Trust Fund's fund type from a private-purpose trust fund to an enterprise fund. During FY 06, the Trust Fund continued to be classified as an enterprise fund.
- Total assets held as of June 30, 2006 increased to \$109,115,258 over FY 05 assets of \$97,276,118.
- The Nevada System of Higher Education imposed a 10.9% increase in university tuition. The Program was able to absorb that material increase but did experience a corresponding decrease in total net assets to -\$2,556,296. The Board has taken steps to improve that by dedicating additional college savings revenues to create a positive total net assets figure for FY 07.

The financial statements of the Trust Fund have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB).

Because the Trust Fund has been reclassified as an enterprise fund (a proprietary fund type) of the state of Nevada, it is included in the state of Nevada's *Comprehensive Annual Financial Report*.

No material weaknesses involving the internal controls over financial reporting were found or reported.

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2006**

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
JUNE 30, 2006**

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Higher Education Tuition Trust Fund

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Trust Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2006, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Trust Fund, as of June 30, 2006, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Trust Fund's financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied by us in the audit of the financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Kafoury, Armstrong & Co.

Reno, Nevada
November 3, 2006

**STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF NET ASSETS
JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2005)**

	2006	2005
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,290,538	\$ 1,651,775
Investment income receivable	345,899	281,928
Due from State of Nevada	9,695	2,094
Tuition contributions receivable	5,000,000	5,400,000
Investments	87,249,759	75,224,274
Collateral on loaned securities	51,663	76,931
	93,947,554	82,637,002
Capital Assets, Net	8,179	-
Other Noncurrent Assets:		
Tuition contributions receivable	15,159,525	14,639,116
	15,167,704	14,639,116
Total Assets	109,115,258	97,276,118
LIABILITIES		
Current Liabilities:		
Accounts payable	58,786	26,933
Accrued salaries and benefits	12,820	33,300
Due to State of Nevada	18,491	3,025
Due to other governments	48,204	-
Advance from State of Nevada General Fund	175,000	125,000
Obligations under securities lending	51,663	76,931
Tuition benefits payable	4,400,000	3,200,000
	4,764,964	3,465,189
Noncurrent Liabilities:		
Advance from State of Nevada General Fund	3,348,590	3,523,590
Tuition benefits payable	103,558,000	88,099,000
	106,906,590	91,622,590
Total Liabilities	111,671,554	95,087,779
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	8,179	-
Unrestricted	(2,564,475)	2,188,339
Total Net Assets	\$ (2,556,296)	\$ 2,188,339

See accompanying notes.

**STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Charges for sales and services	\$ 92,194	\$ 101,984
Tuition contributions	8,939,464	9,281,601
	<u>9,031,658</u>	<u>9,383,585</u>
OPERATING EXPENSES		
Personnel costs	115,393	261,572
Contract and other administrative services	412,036	410,977
Tuition benefits expense	17,547,821	10,146,733
Refunds	862,560	676,341
Depreciation	1,821	-
	<u>18,939,631</u>	<u>11,495,623</u>
OPERATING LOSS	<u>(9,907,973)</u>	<u>(2,112,038)</u>
NONOPERATING REVENUES		
Interest, dividends and other investment income	4,631,107	2,496,921
Net increase in fair value of investments	407,231	3,602,201
Contribution from State of Nevada's Upromise College Fund	125,000	-
	<u>5,163,338</u>	<u>6,099,122</u>
CHANGE IN NET ASSETS	(4,744,635)	3,987,084
NET ASSETS (DEFICIT), JULY 1	<u>2,188,339</u>	<u>(1,798,745)</u>
NET ASSETS (DEFICIT), JUNE 30	<u>\$ (2,556,296)</u>	<u>\$ 2,188,339</u>

See accompanying notes.

**STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2005)**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for sales and services	\$ 92,194	\$ 101,984
Tuition contributions received	8,819,055	9,779,298
Payments to suppliers for good and services	(324,114)	(417,547)
Payments to employees	(135,873)	(242,511)
Payments for tuition benefits	(888,821)	(1,031,733)
Payments of refunds	(862,560)	(676,341)
Net Cash Provided by Operating Activities	<u>6,699,881</u>	<u>7,513,150</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on advance from State of Nevada General Fund	(125,000)	(25,000)
Contribution from State of Nevada's Upromise College Fund	125,000	-
Net Cash Used by Financing Activities	<u>-</u>	<u>(25,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(10,000)	-
Proceeds from sales or maturities of investments	31,306,948	21,851,040
Purchase of investments	(42,925,202)	(31,642,629)
Interest, dividends and other investment income received	4,567,136	2,506,406
Net Cash Used by Investing Activities	<u>(7,061,118)</u>	<u>(7,285,183)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(361,237)	202,967
Cash and Cash Equivalents, July 1	1,651,775	1,448,808
Cash and Cash equivalents, June 30	<u>\$ 1,290,538</u>	<u>\$ 1,651,775</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	<u>\$ (9,907,973)</u>	<u>\$ (2,112,038)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,821	-
Change in assets and liabilities:		
(Increase) decrease in due from State of Nevada	(7,601)	(133)
(Increase) decrease in tuition contributions receivable	(120,409)	497,697
Increase (decrease) in accounts payable and accrued liabilities	11,373	33,459
Increase (decrease) in due to State of Nevada	15,466	(20,835)
Increase (decrease) in due to other governments	48,204	-
Increase (decrease) in tuition benefits payable	16,659,000	9,115,000
Total Adjustments	<u>16,607,854</u>	<u>9,625,188</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,699,881</u>	<u>\$ 7,513,150</u>
NONCASH INVESTING ACTIVITIES		
Net increase in fair value of investments	<u>\$ 407,231</u>	<u>\$ 3,602,201</u>

See accompanying notes.

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity:

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

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has ten years after the projected college entrance date to begin using the benefits of the contract, or until they reach the age of 30. Exceptions are granted for military service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, non-profit, private or out-of-state college.

The Trust Fund completed its eighth enrollment period on February 28, 2006 with 645 new enrollments. The Trust Fund also had 167 cancellations and 3 rollovers to other plans for a total enrollment of 10,076 at June 30, 2006.

Budget:

The budget for the Trust Fund is not legislatively adopted; therefore, a Statement of Revenues, Expenses and Changes in Net Assets – Budget to Actual is not a required part of these financial statements. However, a budget to actual comparison is presented as supplementary information. Total operating expenses of the Trust Fund for the fiscal year ended June 30, 2006 were \$3,877,628, compared to actual operating expenses of \$18,939,631. The large difference between budget and actual is primarily due to the fact that the budget did not include actuarial amounts for tuition benefit expense. The Deputy Treasurer and the Board exercise oversight responsibilities, including budgetary and financial oversight.

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus and Basis of Accounting:

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

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its 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. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

The Trust Fund applies all applicable GASB pronouncements in accounting and reporting for proprietary activities, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure, (unless those pronouncements conflict with or contradict GASB pronouncements) issued on or before November 30, 1989 in accounting and reporting for its operations.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments (3 months or less) 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.

STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Custodian and Transfer Agent:

Wells Fargo Bank is the custodian and transfer agent for the Trust Fund.

Investment Valuation and Income Recognition:

Investments are reported at fair value as determined by quoted market prices. The investments are marked to market daily.

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

Tuition Contributions Receivable:

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

Capital Assets:

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over an estimated useful life of four years.

Tuition Benefits Payable:

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

NOTE 2 – CASH AND INVESTMENTS:

Trust Fund amounts on deposit and invested with the State Treasurer totaled \$147,542 at June 30, 2006. Information related to the risks and securities lending transactions of the State Treasurer's pooled investments is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2006.

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 – CASH AND INVESTMENTS (Continued):

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

- A bond, note, 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;
- "A-3", "P-3" or better rated commercial paper;
- 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 bond, note, debenture or other security in the Student Loan Marketing Association;
- "AAA" rated collateralized mortgage obligations, asset-backed securities, and money market mutual funds whose policies meet the criteria set forth in statute;
- Common or preferred stock of corporations that have a total market value of not less than \$50,000,000;
- 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 whose policies meet the criteria set forth in statute; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 7 to 10 years, while taking into consideration current and near-term liquidity needs.

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 2 – CASH AND INVESTMENTS (Continued):

As of June 30, 2006 the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

	Fair Value	Maturities, in Years			
		Less Than 1	1-5	6-10	More than 10
Investments:					
Corporate notes	\$ 3,527,310	\$ 286,945	\$ 1,624,434	\$ 923,444	\$ 692,487
U.S. Agencies	11,736,808	1,103,387	695,526	3,254,619	6,683,276
Collateralized mortgage obligations	3,776,765	-	-	1,909,955	1,866,810
Asset-backed securities	2,724,654	-	1,996,491	386,284	341,879
U.S. Treasury notes	14,216,458	1,128,668	10,016,661	2,215,310	855,819
Cash equivalent:					
Money market mutual funds	1,142,995	1,142,995	-	-	-
	<u>\$ 37,124,990</u>	<u>\$ 3,661,995</u>	<u>\$ 14,333,112</u>	<u>\$ 8,689,612</u>	<u>\$ 10,440,271</u>

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds) as of June 30, 2006 were rated by Standard and Poor's and the ratings for the portfolio are as follows:

	Fair Value	Credit Quality Ratings		
		AAA	AA	A
Investments:				
Corporate notes	\$ 3,527,310	\$ 241,388	\$ 470,810	\$ 2,815,112
U.S. Agencies	8,154,561	8,154,561	-	-
Collateralized mortgage obligations	3,776,765	3,776,765	-	-
Asset-backed securities	2,724,654	2,724,654	-	-
Cash equivalent:				
Money market mutual funds	1,142,995	1,142,995	-	-
	<u>\$ 19,326,285</u>	<u>\$ 16,040,363</u>	<u>\$ 470,810</u>	<u>\$ 2,815,112</u>

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 3 – CAPITAL ASSETS:

The following schedule summarizes the changes in capital assets for the year ended June 30, 2006:

	Balance July, 1 2006	Additions	Deletions	Balance June 30, 2006
Capital Assets				
Computer equipment	\$ -	\$ 10,000	\$ -	\$ 10,000
Less: Accumulated depreciation	-	(1,821)	-	(1,821)
Capital Assets, Net	<u>\$ -</u>	<u>\$ 8,179</u>	<u>\$ -</u>	<u>\$ 8,179</u>

NOTE 4 – NONCURRENT LIABILITIES:

Advance from the State of Nevada General Fund:

Non-current liabilities include an advance from the State of Nevada's General Fund. Beginning July 1, 2005 the State of Nevada's Upromise College Fund 529 Plan has committed to provide funding to the Trust Fund for payment on the advance.

Tuition Benefits Payable:

Included in non-current liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

APV of the Future Tuition Obligation	\$107,958,000
Net Assets Available	\$105,401,704
Net Assets as a Percentage of Tuition Benefits Obligation	97.6%

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 – NONCURRENT LIABILITIES (Continued):

The following assumptions were used in the actuarial valuation:

- Investment Rates: The investment yield assumption is 7.50% per year.
- Tuition Growth Assumptions:

	Universities	Community Colleges
Fall 2007	10.93%	4.29%
Fall 2008	10.92%	4.57%
Fall 2009	6.00%	4.00%
Fall 2010 and later	6.00%	4.00%

Changes in the Trust Fund’s noncurrent liabilities:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006	Due Within One Year
Tuition benefits payable	\$ 91,299,000	\$ 19,859,000	\$ (3,200,000)	\$ 107,958,000	\$ 4,400,000
Advance from State of Nevada General Fund	3,648,590	-	(125,000)	\$ 3,523,590	175,000
	\$ 94,947,590	\$ 19,859,000	\$ (3,325,000)	\$ 111,481,590	\$ 4,575,000

NOTE 5 – TUITION CONTRIBUTIONS AND TUITION BENEFITS EXPENSE:

The tuition contributions of \$8,939,464 and the tuition benefits expense of \$17,547,821 on the Statement of Revenues, Expenses and Changes in Net Assets represent the annual accrual of contributions and benefit expenses for the year ended June 30, 2006 as determined by the actuarial valuation and adjusted by the actual activity for the fiscal year.

NOTE 6 – PENSION PLAN:

Employees of the Trust Fund are employees of the State of Nevada. 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

**STATE OF NEVADA
OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 6 – PENSION PLAN (Continued):

cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2006.

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.

**STATE OF NEVADA, OFFICE OF THE STATE TREASURER
HIGHER EDUCATION TUITION TRUST FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO BUDGET</u>
OPERATING REVENUES			
Charges for sales and services	\$ 111,000	\$ 92,194	\$ (18,806)
Tuition contributions	10,500,000	8,939,464	(1,560,536)
Total Operating Revenues	<u>10,611,000</u>	<u>9,031,658</u>	<u>(1,579,342)</u>
OPERATING EXPENSES			
Personnel costs	131,656	115,393	16,263
Contract and other administrative services	335,972	412,036	(76,064)
Tuition benefits expense	2,500,000	17,547,821	(15,047,821)
Refunds	910,000	862,560	47,440
Depreciation	-	1,821	(1,821)
Total Operating Expenses	<u>3,877,628</u>	<u>18,939,631</u>	<u>(15,062,003)</u>
OPERATING LOSS	<u>6,733,372</u>	<u>(9,907,973)</u>	<u>(16,641,345)</u>
NONOPERATING REVENUES			
Interest, dividends and other investment income	3,050,000	4,631,107	1,581,107
Net increase in fair value of investments	-	407,231	407,231
Contribution from State of Nevada's Upromise College Fund	125,000	125,000	-
Total Nonoperating Revenues	<u>3,175,000</u>	<u>5,163,338</u>	<u>1,988,338</u>
CHANGE IN NET ASSETS	9,908,372	(4,744,635)	(14,653,007)
NET ASSETS, JULY 1	<u>70,461,826</u>	<u>2,188,339</u>	<u>(68,273,487)</u>
NET ASSETS, JUNE 30	<u>\$ 80,370,198</u>	<u>\$ (2,556,296)</u>	<u>\$ (82,926,494)</u>

SUMMARY OF ACTUARIAL VALUATION REPORT

NRS 353B.190 requires the Program to contract with a certified actuary to perform an annual actuarial valuation study of the Trust Fund. The Actuarial Valuation Report prepared by Milliman USA is included in this annual report. The Actuarial Valuation Report acknowledges that the Nevada Prepaid Tuition Program has sufficient assets, including the value of future installment payments, to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date.

As of June 30 2006, the report shows that the Higher Education Tuition Trust Fund had assets that exceed the best estimate of the obligations by roughly \$1.03 million or 1% of obligations.

- During FY 06, the stabilization reserve position of the Program decreased from a surplus of \$5,704,298 to a stabilization reserve surplus of \$1,027,350.
- The decrease is primarily attributable to the material increase in tuition rates of 10.9% at the Nevada System of Higher Education compared to the previous assumption of a 7.5% increase in tuition rates. This change decreased the stabilization reserve by \$7,378,000.
- The return on Fund investments was approximately 6.3% on a dollar-weighted basis. In the previous valuation, a 7.5% return was assumed. Thus, actual investment returns were 1.2% lower than expected. This decreased the FY 06 reserve by \$993,068.
- Milliman estimates that a fund balance of \$108.0 million would be 100% of their “Best Estimate” Reserve needed. As of June 30, 2006, the actual fund balance is \$109 million (the present value of obligations for future tuition payments), or 101% of the actuarially determined “Best Estimate” Reserve.
- The Trust Fund consistently receives contract payments from existing installment purchasers of approximately \$825,000 per month.
- The starting market value of investments as of July 1, 2006 is \$88.8 million. At the end of the 2027 fiscal year, when all tuition obligations associated with units already purchased are expected to have been paid, the Trust Fund is expected to have a resulting residual surplus stabilization reserve of \$10.7 million.

Nevada Prepaid Tuition Program
November 8, 2006

ACTUARIAL VALUATION
OF THE
NEVADA PREPAID TUITION PROGRAM

JUNE 30, 2006

By:

ALAN H. PERRY, FSA, CFA
JILL M. STANULIS, E.A.

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Nevada Prepaid Tuition Program
November 8, 2006



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November 8, 2006

Nevada Prepaid Tuition Program
101 North Carson Street
Suite 4
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Ladies and Gentlemen:

This report presents the results of the actuarial valuation of the Nevada Prepaid Tuition Program as of June 30, 2006.

Purpose

The main purposes of this report are:

- to calculate the actuarial present value of the obligations for prepaid tuition contracts purchased through June 30, 2006 and compare the value of those obligations with the assets in the Fund as of that date;
- to review the experience and changes in the actuarial assumptions and methods during the last year and indicate their effects on the results; and
- to set forth the basis for the actuarial assumptions and methods utilized in those calculations.

The results contained in this report are based on contract data and preliminary financial statements provided by the Nevada Prepaid Tuition Program. We have relied on this data in preparing this report.

Certification

Based on the following, the Nevada Prepaid Tuition Program has sufficient assets, including the value of future installment payments, to cover the actuarially estimated value of the tuition obligations under all contracts outstanding as of the valuation date. This determination has been based on reasonable actuarial assumptions that represent the Program's best estimate of anticipated experience under the Prepaid Tuition Program taking into account past experience and future expectations. Since the results of the valuation are dependent on the actuarial assumptions used, actual results can be expected to deviate from This work product was prepared solely for the Nevada Prepaid Tuition Program for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Nevada Prepaid Tuition Program

November 8, 2006

the figures indicated in this report to the extent that future experience differs from those assumptions.

Background

Chapter 353B of the Nevada Revised Statutes created the Nevada Prepaid Tuition Program to help families save for the cost of higher education. The Act created the Nevada Higher Education Tuition Trust Fund Board of Trustees (the “Board”). Section 353B.090 stated “The board shall develop a program for the prepayment of tuition at a guaranteed rate which is established based on the annual actuarial study required pursuant to NRS 353B.190 for undergraduate studies at a university or community college that is a member of the system.”

This Act also created the Nevada Higher Education Tuition Trust Fund (the “Fund”), which consists of payments received pursuant to a prepaid tuition contract, a bequest, endowment or grant from the Federal Government or any other public or private source of money. All income derived from investments in the Fund and gains from a sale or exchange shall be credited to the Fund. Money in the Fund that is not expended during any biennium does not revert to the state general fund at any time.

The Nevada Prepaid Tuition Program offers four plan types; a University Plan providing 120 credit hours (8 semesters) of tuition at a state university, a University Plan providing 60 credit hours (4 semesters) of tuition at a state university, a Community College Plan providing 60 credit hours (4 semesters) of tuition at a state community college, and a Community College Plus University Plan providing 60 credit hours (4 semesters) of tuition at a state community college and 60 upper division level credit hours (4 semesters) of tuition at a state university.

Purchasers are allowed to pay for their contracts by choosing one of three payment options: 1) a single lump sum payment, 2) equal monthly payments until the beneficiary reaches college age, or 3) a five year plan of 60 equal monthly payments.

The purpose of this actuarial valuation is to estimate the obligations of the Prepaid Tuition Program for all future payments associated with Prepaid Contracts purchased as of the valuation date. The value of those obligations is then compared with the Fund Balance to determine the current financial position of the Prepaid Tuition Program.

Statutory Requirements

Section 353B.160(10) states that “if the annual actuarial study performed pursuant to NRS 353B.190 reveals that there is insufficient money to ensure the actuarial soundness of the trust fund, the board shall modify the terms of subsequent prepaid tuition contracts.”

“Actuarially sound” is not a precise concept and there is no generally accepted understanding of the meaning of this phrase within the actuarial profession, especially with respect to Prepaid Tuition Programs. For purposes of this report, we have assumed that the phrase “actuarially sound” when applied to the Fund, means that the Fund has sufficient assets (including the value of future installment payments due under current contracts) to cover the actuarially estimated value of the tuition obligations under those contracts (including any administrative costs associated with those contracts).

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We have also interpreted these Sections to require that the actuarial liabilities be evaluated using sound actuarial principles that are generally consistent with the practices and principles widely used for retirement programs. Reference to other programs is necessary because of the innovative nature of a Prepaid Tuition Program. No generally accepted Standard of Practice has evolved within the actuarial profession specifically addressing Prepaid Tuition Programs. We chose the standards applicable to retirement programs because these programs generally provide for payments at some future date where that payment has a high probability of payment at, or close to, some specific age.

Valuation Basis

For retirement programs, the traditional conservative approach to setting actuarial assumptions has been modified over the last 40 years due to the "best estimate" requirements of the Employee Retirement Income Security Act ("ERISA"). Moreover, it has been adopted by the Actuarial Standards Board in Actuarial Standard of Practice No. 27 regarding "Selection of Economic Assumptions for Measuring Pension Obligations."

It is not clear to us from the statute which standard of "actuarial soundness" was contemplated by the legislature. For purposes of this report, we have adopted the "best estimate" approach.

The method for determining the "best estimate" liability for the Program reflects the possible variability of inflation, tuition, and investment returns and the correlation between each of these variables. This methodology is described in the section below, Variability of Results and Valuation Basis.

Investment Policy

The Investment Policy for the Prepaid Tuition Program is determined by the Board and implemented by the State Treasurer. The Investment Policy is important because it sets forth acceptable investment allocations among asset classes. The asset allocation affects the magnitude and variability of investment returns realized and therefore the financial structure of the plan.

For the Valuation, we have assumed that Program investments will be allocated as follows:

US Large Cap Equity	30%
US Mid-Cap Equity	10%
US Small Cap Equity	10%
Fixed Income	50%

Actuarial Assumptions

The actuarial assumptions used to prepare this report are summarized in [Appendix C](#). The two most significant of those assumptions are the rate of investment returns and tuition growth in the future. The Nevada Prepaid Tuition Program Board selected both of these assumptions. They are:

- the investment return assumption of 7.50% per year (this is the same as the investment return

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Nevada Prepaid Tuition Program

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assumption used to prepare the prior year’s report); and,

- the tuition growth assumptions (this year’s assumptions and those used for the previous year’s valuation) summarized in the table below.

	<u>Universities</u>	<u>Previous</u>	<u>Community Colleges</u>	<u>Previous</u>
Fall 2007	10.93%	7.50%	4.29%	5.00%
Fall 2008	10.92%	7.50%	4.57%	5.00%
Fall 2009	6.00%	5.75%	4.00%	5.00%
Fall 2010 and later	6.00%	5.75%	4.00%	5.00%

We believe that the Board’s 7.50% investment return assumption is somewhat optimistic, but well within what we consider a “reasonable range.”

Summary of Results

The actuarial value of the obligations of the Prepaid Tuition Program as of June 30, 2006 is summarized below and compared with the balance in the Fund.

<u>Prepaid Tuition Program:</u>	<u>Present Value of Obligations for Future Payments</u>	<u>Value of Total Fund Assets*</u>	<u>Stabilization Reserve/(Deficit)</u>
Tuition Obligations	\$107,247,000	n/a	n/a
Administrative Expenses	<u>711,000</u>	<u>n/a</u>	<u>n/a</u>
Grand Total	\$107,958,000	\$108,985,350	\$1,027,350

* Total Fund Assets is the sum of the market value of program investments and the present value of installment contract receivables.

The present value of future obligations for Administrative Expenses reflects the expected costs of administering existing contracts until all tuition benefits have been paid and the expenses associated with making those payments. It does not include the future expenses of the Program associated with general overhead and marketing.

As indicated above, the Fund has assets that exceed the best estimate of the obligations by roughly \$1.0 million or 1.0% of obligations. Unfavorable future experience would adversely affect this position. It would be desirable to increase the stabilization reserve over time to provide a cushion against the risk of adverse deviations in tuition and/or investment growth experience.

Actuarial Gain/Loss Analysis

During the 2006 fiscal year, the stabilization reserve/(deficit) position of the Program decreased from a

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Nevada Prepaid Tuition Program

November 8, 2006

stabilization reserve of \$5,704,298 to a stabilization reserve of \$1,027,350, which is 1.0% of obligations. The decrease is mostly attributable to a change to the tuition growth rate assumptions. Each of the factors affecting the stabilization reserve is discussed below.

The stabilization reserve was expected to grow during the year by \$427,822 due to the passage of time (the obligation is calculated as a present value which grows with interest each year).

During the 2006 fiscal year there were 634 enrollments. Each contract sold contributes to the stabilization reserve. We estimate that \$2.2 million of stabilization reserve was generated by the new contracts resulting in an increase in the stabilization reserve.

In the development of the 2006 fiscal year prices for new contracts, a \$592,628 budget was assumed. Actual administrative expenses paid out of the Trust were approximately \$92,194 resulting in a \$500,434 gain to the stabilization reserve.

The return on Fund investments was approximately 6.3% on a dollar-weighted basis. In the previous valuation, a 7.5% return was assumed. Thus, actual investment returns were 1.2% lower than expected. This decreased the stabilization reserve by \$993,068.

The tuition growth rate assumption was increased for University contracts and decreased for Community College contracts. The change decreased the stabilization reserve by \$7,378,000.

In summary, the stabilization reserve changes due to experience and assumption changes can be summarized as follows:

Stabilization Reserve / (Deficit) as of June 30, 2005	\$5,704,298
Interest on the deficit at 7.5% due to the passage of time	427,822
Addition to stabilization reserve from new contracts	2,174,793
Budget savings	500,434
Investment gain/(loss)	(993,068)
Change in tuition growth assumptions	(7,378,000)
Other	591,071
	<hr/>
Stabilization Reserve / (Deficit) as of June 30, 2006	\$1,027,350

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Variability of Results and Valuation Basis

The present values of the obligations shown above were based on assumptions that represent an estimate of anticipated experience under the Prepaid Tuition Program that are reasonably related to past educational cost and investment data. Differences between those projections and actual amounts will depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

A prime source of variation will be normal fluctuations that occur in the rate of increase in tuition, investment returns, inflation, etc. One way of estimating the range of possible outcomes is to stochastically model the financial operation of the Program using Monte Carlo techniques. This approach involves preparing 1,000 projections of financial results under randomly derived scenarios of tuition growth and investment returns. Each of these scenarios is based on statistical factors such as standard deviation and correlation that were established by reviewing historical results and then adjusting where appropriate to reflect current conditions.

For each scenario, we determined whether the Fund would run out of money before all tuition and expense obligations were paid. By tabulating the results under all of these projections we estimated the probability of having the assets of the Prepaid Tuition Program exceed its obligations. Note that for this analysis, a scenario where the Fund comes up as little as one dollar short is considered a scenario where Fund assets do not exceed obligations. Also note that we have assumed there are no additional contracts sold and no changes are made to the asset mix throughout the projection period. We have also assumed that all future installment payments will be made.

We have summarized in the table below the results of this process. It is important to understand that these results are only illustrative of the range of results that are possible and are dependent on the assumptions utilized. They do not necessarily represent the “true” probability of future events, which, of course, are unknown. The assumptions are presented in detail in Appendix C.

Nevada Prepaid Tuition Program
November 8, 2006

(Amounts in Millions)

Percentage of "Best Estimate" Reserve	Total Fund Value at June 30, 2006	Probability of Funds Exceeding Obligation
90%	\$97.2	31%
100%	108.0	50%
101%	109.0	51% *
110%	118.8	68%
120%	128.5	81%
130%	140.3	90%
140%	151.1	94%
150%	161.9	97%

*Actual Fund Position

The "Best Estimate" Reserve of \$108.0 million represents the level of assets necessary as of June 30, 2006 to achieve a 50% probability of sufficiency. This includes the present value of Installment Contract Receivables. The actual Fund balance at June 30, 2006 of \$109.0 million is thus 101% of the actuarially determined "Best Estimate" Reserve. As indicated in the above table, this Fund balance is estimated to have a 51% probability of being adequate to satisfy all Program obligations. We believe the 51% figure should be viewed as a risk index. To date the Program has a goal to gradually build a Stabilization Reserve to help absorb the risk of adverse deviations in investment and tuition growth experience. As the Stabilization Reserve grows relative to the Program obligations, we would expect to see this risk index measure improve. We included in the table the probability of sufficiency associated with other funding levels to illustrate the sensitivity of this measure to the level of funding.

Data Reliance

In performing this analysis, we relied on data and other information provided by the Nevada Prepaid Tuition Program. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

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Nevada Prepaid Tuition Program
November 8, 2006
Cash Flow Projection

Appendix E shows a cash flow projection based on the actuarial assumptions. The starting Market Value of Investments as of July 1, 2006 is \$88.8 million. At the end of the 2027 Fiscal Year all tuition obligations associated with units already purchased are expected to have been paid, resulting in a residual stabilization reserve of \$10.7 million. Since the actuarial assumptions are intended to represent “best estimates” of future expenses, there is a 50% probability that results will be less favorable than indicated and a 50% probability that results will be more favorable.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We look forward to reviewing the results of our analyses with you and the Board at your earliest convenience.

Respectfully submitted,

MILLIMAN, INC.



Alan H. Perry, FSA, CFA
Member American Academy of Actuaries



Jill M. Stanulis, EA
Member American Academy of Actuaries

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Attachments

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Nevada Prepaid Tuition Program

I. Statement of Assets as of June 30, 2006

<u>Investments</u>	<u>Market Value</u>
1) Equity	\$51,407,370
2) Fixed Income	<u>37,418,455</u>
Total Market Value of Investments	\$88,825,825
Present Value of Installment Contract Receivables	<u>20,159,525</u>
Value of Total Fund Assets	\$108,985,350

II. Reconciliation of Investments

1) Investments at June 30, 2005	\$76,964,182
2) Contract Purchase Payments	9,564,098
3) Investment Earnings	4,994,751
4) Tuition Payments and Refunds	<u>(2,605,012)</u>
5) Administrative Expense	<u>(92,194)</u>
6) Investments at June 30, 2006	\$ 88,825,825
Dollar-weighted rate of return	6.3%
Time-weighted rate of return	6.4%

Appendix A

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Nevada Prepaid Tuition Program

Participant Data as of June 30, 2006

Number of Contracts by Plan Type

Matriculation <u>Year</u>	University <u>Plan (4 yrs)</u>	Community College Plus <u>University Plan</u>	Community <u>College Plan</u>	University <u>Plan (2 yrs)</u>	<u>Total</u>
2002	37	12	3		52
2003	139	26	9		174
2004	249	39	14	7	309
2005	316	36	27	11	390
2006	364	53	30	17	464
2007	430	69	19	16	534
2008	454	64	38	23	579
2009	506	72	28	24	630
2010	550	63	22	23	658
2011	526	66	27	19	638
2012	544	66	28	19	657
2013	573	58	24	17	672
2014	508	54	22	29	613
2015	517	51	31	16	615
2016	566	54	21	21	662
2017	486	47	26	15	574
2018	481	43	17	15	556
2019	395	21	9	9	434
2020	187	26	8	10	231
2021	212	22	15	11	260
2022	184	19	5	9	217
2023	<u>95</u>	<u>13</u>	<u>3</u>	<u>2</u>	<u>113</u>
Total	8,319	974	426	313	10,032

Appendix B

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Nevada Prepaid Tuition Program

Summary of Actuarial Assumptions

Economic Assumptions for Simulation Model:

	<u>Inflation</u>	<u>Large Cap</u>	<u>Mid Cap</u>	<u>Small Cap</u>	<u>Fixed Income</u>	<u>University Tuition</u>	<u>Community College Tuition</u>
Expected Arithmetic Annual Return	2.50%	10.30%	11.30%	11.30%	5.40%	6.07%	4.00%
Standard Deviation	3.05	17.10	19.45	22.30	7.50	4.75	5.15
Correlation with:							
Inflation	1.00	-0.19	-0.08	-0.01	-0.28	0.08	-0.04
Large Cap		1.00	0.88	0.79	0.47	0.11	0.49
Mid Cap			1.00	0.95	0.50	0.22	0.56
Small Cap				1.00	0.40	0.31	0.66
Fixed Income					1.00	0.11	0.35
University Tuition						1.00	0.71
Community College Tuition							1.00

Equivalent Deterministic Economic Assumptions:

The assumptions shown below, used deterministically, would produce the same “best estimate” obligation developed by the Simulation Model assumptions shown above and used in the valuation.

Consumer Price Index (CPI) Inflation Rate	2.50%, per annum
Investment Returns	7.37%, per annum
University Tuition Growth: Next year	10.93%, per annum
University Tuition Growth: Second year	10.92%, per annum
University Tuition Growth: Thereafter	6.00%, per annum
Community College Tuition Growth: Next Year	4.29%, per annum
Community College Tuition Growth: Second Year	4.57%, per annum
Community College Tuition Growth: Thereafter	4.00%, per annum

Appendix C
(Page 1 of 2)

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Nevada Prepaid Tuition Program

Summary of Actuarial Assumptions
(continued)

Percentage of Contracts Requesting a Refund or Rollover Each Year:

Years Since <u>Enrollment</u>	Extended Payment <u>Contract</u>	60-Payment <u>Contract</u>	Lump Sum <u>Contract</u>
1 - 3	5.00%	3.00%	0.50%
4	3.50%	1.25%	0.50%
5	2.00%	1.20%	0.50%
6 or higher	0.50%	0.50%	0.50%

Expenses:

The expenses included in the present value of future obligations are those relating to:

Annual Maintenance Expense per Contract = \$5.91

Annual Distribution Cost per Contract in Payment Status = \$9.84

A monthly processing expense of \$1.50 has been netted out in calculating the present value of Installment Contract receivables.

Expenses are assumed to increase at a rate equal to CPI + .5%.

Appendix C
(Page 2 of 2)

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Nevada Prepaid Tuition Program

Recent History of Per Credit Hour Tuition in Nevada

<u>Academic Year</u>	<u>Average Community College Tuition</u>	<u>Percent Increase</u>	<u>University Tuition</u>	<u>Percent Increase</u>
1982-1983	\$17.00		\$31.00	
1983-1984	20.92	23.0%	36.00	16.1%
1984-1985	20.88	-0.2	36.00	0.0
1985-1986	20.88	0.0	36.00	0.0
1986-1987	20.89	0.0	36.00	0.0
1987-1988	21.36	2.3	36.00	0.0
1988-1989	21.35	-0.1	40.00	11.1
1989-1990	21.34	0.0	40.00	0.0
1990-1991	24.00	12.4	46.00	15.0
1991-1992	26.00	8.3	49.00	6.5
1992-1993	28.00	7.7	55.50	13.3
1993-1994	29.50	5.4	55.50	0.0
1994-1995	30.50	3.4	58.00	4.5
1995-1996	33.50	9.8	61.00	5.2
1996-1997	36.50	9.0	64.00	4.9
1997-1998	38.00	4.1	66.50	3.9
1998-1999	39.50	3.9	69.00	3.8
1999-2000	41.00	3.8	71.50	3.6
2000-2001	42.50	3.7	74.00	3.5
2001-2002	44.00	3.5	76.50	3.4
2002-2003	44.50	1.1	79.00	3.3
2003-2004	47.25	6.2	85.00	7.6
2004-2005	49.00	3.7	91.00	7.1
2005-2006	50.75	3.6	98.00	7.7
2006-2007	52.50	3.5	105.25	7.4

Annualized Increase in Tuition

Over last 5 years:	3.6%	6.6%
Over last 10 years:	3.7	5.1
Over last 20 years:	4.7	5.5

Appendix D

This work product was prepared solely for the Nevada Prepaid Tuition Program for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Nevada Prepaid Tuition Program

Cash Flow Projection

(\$Millions)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Monthly Payments</u>	<u>Tuition Benefits</u>	<u>Expenses</u>	<u>Investment Income</u>	<u>Ending Balance</u>
2007	\$88.8	\$5.0	\$4.4	\$0.067	\$6.7	\$96.0
2008	96.0	4.3	6.2	0.073	7.0	101.0
2009	101.1	3.7	7.9	0.078	7.2	103.9
2010	103.9	3.0	9.3	0.083	7.4	104.9
2011	104.9	2.2	9.7	0.078	7.4	104.7
2012	104.7	1.6	10.6	0.078	7.3	102.9
2013	102.9	1.4	11.5	0.077	7.0	99.7
2014	99.7	1.2	12.4	0.076	6.9	95.3
2015	95.3	1.0	12.8	0.074	6.5	89.9
2016	89.9	0.8	13.4	0.070	6.1	83.3
2017	83.3	0.7	14.1	0.067	5.5	75.3
2018	75.3	0.5	14.2	0.063	5.0	66.5
2019	66.5	0.4	14.7	0.059	4.2	56.3
2020	56.3	0.3	14.4	0.055	3.5	45.6
2021	45.6	0.2	12.2	0.049	2.7	36.3
2022	36.3	0.1	10.5	0.039	2.2	28.1
2023	28.1	0.1	8.4	0.030	1.5	21.3
2024	21.3	0.0	6.1	0.021	1.3	16.5
2025	16.5	0.0	4.6	0.012	1.0	12.9
2026	12.9	0.0	2.8	0.008	0.8	10.9
2027	10.9	0.0	1.0	0.003	0.8	10.7

Appendix E

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SUMMARY OF INVESTMENT REPORTS

The Board of Trustees of the College Savings Plans of Nevada (Board) contracts with a professional investment manager for advice to maximize the earnings of the Higher Education Tuition Trust Fund. Included in this annual report are the annual investment summaries for FY 2006.

The asset allocation of the portfolio approved by the Board is an equal split of 50% fixed income and 50% equities. The fixed income investment portfolio contains Atlanta Capital Management and Trusco Capital Management as two sub-advisors. The Board has also approved an equity investment of the INVESCO Enhanced Index Fund. The equity portion of the portfolio is diversified into six mutual funds. The Board allocates 58% to Large Cap, 28% to Mid Cap and 14% to Small Cap Equities. The six mutual funds in the equity investment are: Dodge & Cox Stock Fund, Goldman Mid Cap Value Fund, Vanguard Strategic Equity Fund, FMI Common Stock Fund, American Beacon Small Cap Value Fund and Harbor Small Cap Value Fund. The Board examines the investment portfolio at every meeting and rebalances whenever considered appropriate by the Board.

The total returns for the investments in FY 06 on a quarterly basis are as follows:

- quarter ending September 2005: 2.32% with a balance of \$79,622,197;
- quarter ending December 2005: 1.37% with a balance of \$82,347,449;
- quarter ending March 2006: 3.45% with a balance of \$87,405,143; and
- quarter ending June 2006: -0.81% with a balance of \$88,730,415.

The six equity mutual fund investments composite return of 12.24% for the FYTD ending June 30, 2006 exceeded the Standard & Poor's 500 (Benchmark) by 361 basis points. The INVESCO enhanced index investment return for FY 06 of 10.39% exceeded the Standard & Poor's 500 (Benchmark) by 176 basis points. The composite fixed income investment return for FY 06 was -0.28%. Atlanta Capital's investment return was -0.44% and exceeded the benchmark by 38 basis points. Trusco's investment return was -0.10 and exceeded the benchmark by 72 basis points.

The total annualized return for FY 05 ending June 30, 2005 for all the fixed income and equity investments combined was 6.43%.

**G.I.F. Services Investment Report
GIF Sub-Advisor Managed Investments
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending September 30, 2005**

Summary of Portfolio Returns												
	Assets Under Management (at market value)	Fiscal YTD 3rd Quarter 2005				YTD January - September 2005			1 Year*			
		Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Yield to Maturity	Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Total	Portfolio vs. Benchmark	Spread +/- Benchmark	
		Return				Return			Return			
Fixed Income Investment												
GIF/Atlanta Capital Mgt.	\$ 17,470,496	-0.41%	above	0.27%	4.40%	2.99%	above	1.16%	4.19%	above	1.39%	
GIF/Trusco Capital Mgt.	\$ 16,865,000	-0.50%	above	0.18%	4.60%	2.03%	above	0.20%	3.19%	above	0.39%	
Lehman Agg. Index (Benchmark)		-0.68%	NA	NA	4.90%	1.83%	NA	NA	2.80%	NA	NA	
Equity Investments:												
GIF/INVESCO Enhanced Index	\$ 14,598,154	4.04%	above	0.44%	NA	3.89%	above	1.12%	13.84%	above	1.59%	
S&P 500 (Benchmark)		3.60%	NA	NA	NA	2.77%	NA	NA	12.25%	NA	NA	

Summary of Investments

	3rd Quarter 2005	January - September 2005	1 Year*
	Total Return	Total Return	Total Return
Fixed Income Investment	-0.45%	2.51%	3.70%
Enhanced Equity Investment	4.04%	3.89%	13.84%
Mutual Fund Investments	4.74%	7.66%	21.38%
Total Fixed Income and Equity**	\$ 79,622,197 2.32%	3.96%	10.80%

* Annualized Returns

** The Fixed Income and Equity and Mutual Fund Composite total returns are approximate returns based on the weighted returns of each investment. The returns are weighted based on the market value at the beginning of each quarter for each investment. This return utilizes the quarterly return of each mutual fund and is an approximation of the Trust Fund's investment return and the monthly investments into each investment. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment.

The market value of assets and total returns have been provided by the Atlanta Capital Management Company, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates are gross of advisory and custodial fees. The equity investments are net of the respective mutual fund expenses.

**G.I.F. Services Investment Report
GIF Sub-Advisor Managed Investments
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending September 30, 2005**

Summary of Portfolio Returns												
	Assets Under Management (at market value)	Fiscal YTD 3rd Quarter 2005				YTD January - September 2005			1 Year*			
		Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Yield to Maturity	Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Total	Portfolio vs. Benchmark	Spread +/- Benchmark	
		Return				Return			Return			
Fixed Income Investment												
GIF/Atlanta Capital Mgt.	\$ 17,470,496	-0.41%	above	0.27%	4.40%	2.99%	above	1.16%	4.19%	above	1.39%	
GIF/Trusco Capital Mgt.	\$ 16,865,000	-0.50%	above	0.18%	4.60%	2.03%	above	0.20%	3.19%	above	0.39%	
Lehman Agg. Index (Benchmark)		-0.68%	NA	NA	4.90%	1.83%	NA	NA	2.80%	NA	NA	
Equity Investments:												
GIF/INVESCO Enhanced Index	\$ 14,598,154	4.04%	above	0.44%	NA	3.89%	above	1.12%	13.84%	above	1.59%	
S&P 500 (Benchmark)		3.60%	NA	NA	NA	2.77%	NA	NA	12.25%	NA	NA	

Summary of Investments

	3rd Quarter 2005	January - September 2005	1 Year*
	Total Return	Total Return	Total Return
Fixed Income Investment	-0.45%	2.51%	3.70%
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Investment Report
Mutual Fund Investments – Monitored by GIF
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending September 30, 2005

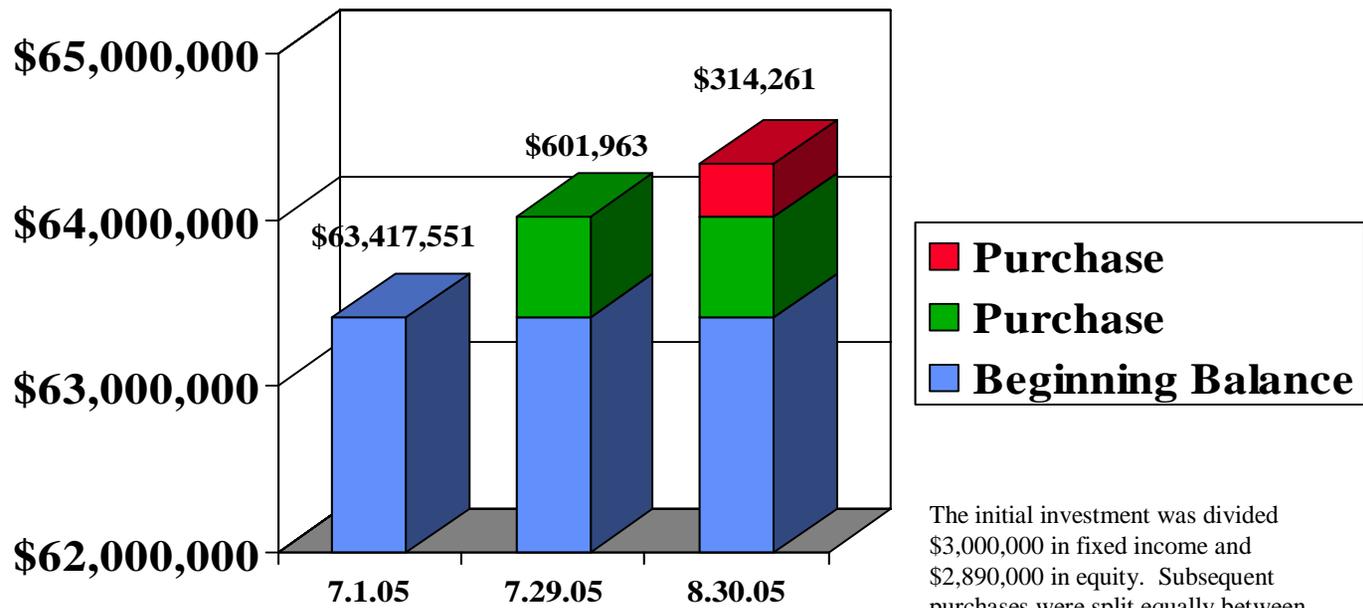
Summary of Mutual Fund Investments*										
		Fiscal YTD			YTD			1 Year		
		3rd Quarter 2005			January - September 2005					
		Total	Portfolio	Spread	Total	Portfolio	Spread	Total	Portfolio	Spread
		Return	vs.	+/-	Return	vs.	+/-	Return	vs.	+/-
		Return	Benchmark	Benchmark	Return	Benchmark	Benchmark	Return	Benchmark	Benchmark
Equity Mutual Fund Investments										
Dodge & Cox Stock Fund	\$ 11,268,776	5.45%			6.17%			19.59%		
S&P 500/Barra Value (Benchmark)		3.44%	above	2.01%	3.54%	above	2.64%	13.82%	above	5.77%
Russell 1000 Value Index (Benchmark)		3.88%	above	1.57%	5.72%	above	0.45%	16.69%	above	2.90%
Goldman Mid Cap Value Fund	\$ 4,409,125	5.56%			12.07%			26.33%		
S&P Midcap 400/Barra Value (Benchmark)		5.41%	above	0.15%	9.76%	above	2.32%	23.20%	above	3.13%
Russell Midcap Value Index (Benchmark)		5.35%	above	0.21%	11.16%	above	0.91%	26.13%	above	0.20%
Vanguard Strategic Equity	\$ 4,318,658	5.39%			8.63%			24.32%		
S&P Midcap 400 (Benchmark)		4.88%	above	0.51%	8.92%	below	-0.28%	22.16%	above	2.16%
Russell Midcap Index (Benchmark)		5.92%	below	-0.53%	10.07%	below	-1.44%	25.10%	below	-0.78%
FMI Common Stock Fund	\$ 4,003,354	4.81%			5.69%			16.11%		
S&P Midcap 400 (Benchmark)		4.88%	below	-0.07%	8.92%	below	-3.23%	22.16%	below	-6.05%
Russell Midcap Index (Benchmark)		5.92%	below	-1.11%	10.07%	below	-4.38%	25.10%	below	-8.99%
American Beacon Small Cap VL	\$ 3,431,484	3.30%			4.99%			18.50%		
S&P SmallCap 600/Barra Value (Benchmark)		4.16%	below	-0.86%	5.86%	below	-0.87%	18.61%	below	-0.11%
Russell 2000 Value Index (Benchmark)		3.09%	above	0.21%	4.02%	above	0.97%	17.75%	above	0.75%
Harbor Small Cap Value Fund	\$ 3,257,150	3.56%			11.55%			26.45%		
S&P SmallCap 600/Barra Value (Benchmark)		4.16%	below	-0.60%	5.86%	above	5.69%	18.61%	above	7.84%
Russell 2000 Value Index (Benchmark)		3.09%	above	0.47%	4.02%	above	7.53%	17.75%	above	8.70%
Total Mutual Funds	\$ 30,688,548									
Mutual Fund Composite Return		4.74%			7.66%			21.38%		
S&P 500 (Benchmark)		3.60%	above	1.14%	7.77%	above	4.89%	12.25%	above	9.13%

in these returns being approximations, not the actual return of the of the Trust Fund's investment. The Mutual Fund Composite returns are approximate returns based on the weighted returns of each investment, utilizing the market value of each investment at the beginning of each quarter. On November 25, 2003, funds were transferred from the Strong Mid-Cap Disc. Fund to the Vanguard Strategic Equity Fund and the Strong Small Cap Value Fund to the American Beacon Small Cap Value Fund, respectively. On July 5, 2005 the Royce Low-Priced Stock Fund investment was liquidated and the funds were reinvested in the Harbor Small Cap Fund and the current mid-cap investments.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending September 30, 2005**

**Schedule of Investment
Purchases**

Total Principal Invested of \$64,333,775

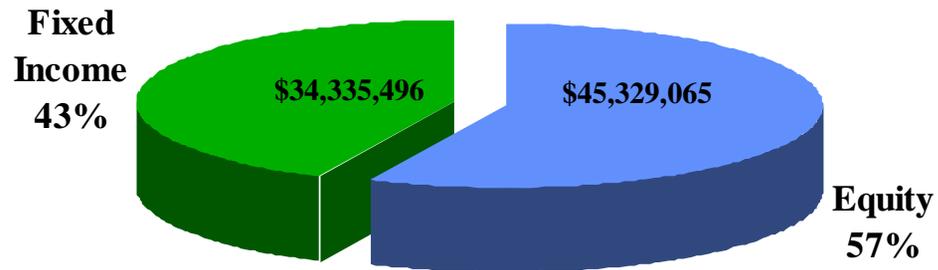


The initial investment was divided \$3,000,000 in fixed income and \$2,890,000 in equity. Subsequent purchases were split equally between fixed income and equity.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending September 30, 2005**

Asset Distribution

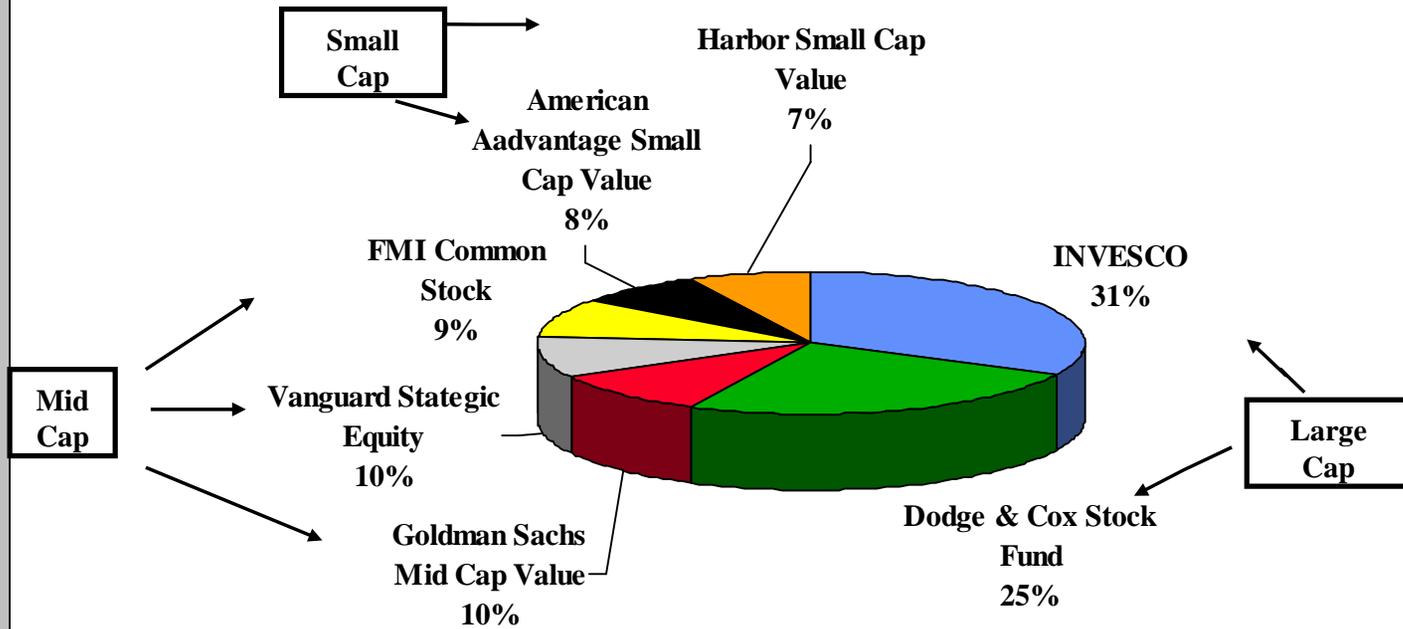
**Market Value as of
September 30, 2005**



On August 28, 2002, \$3,942,000 was transferred from the fixed income portfolio into equity investments to rebalance the investments.

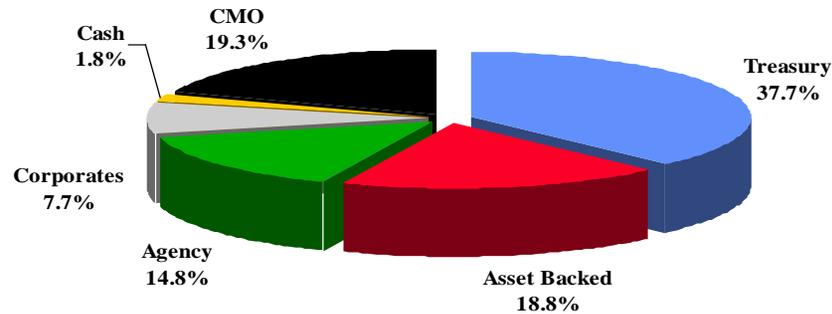
**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending September 30, 2005**

**Equity Investment Diversification
as of September 30, 2005**



G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending September 30, 2005

Atlanta Capital Management Co. Portfolio Diversification



Portfolio Comment

Despite a significant post Katrina bond market rally, bond yields finished the quarter higher sending the return of the Lehman Aggregate Index into negative territory. The Nevada Higher Education Fund returned (0.41%) in the quarter while its benchmark, the Lehman Aggregate, returned (0.67%). Calendar year-to-date, the Nevada Higher Education Fund returned 2.99% and the Lehman Aggregate returned 1.82%. Corporates, because of their surge in July, led the market in the third quarter beating Treasuries by 30 basis points. Asset-backed posted 14 basis points of excess return. The portfolio's defensive duration and "barbell" strategy (an overweighting of short- and long-term securities versus intermediate maturity bonds) was the key contributor to the relative out-performance in the quarter and calendar year-to-date periods. We continue to emphasize high credit quality as corporate spreads remain tight and the sector appears overvalued.

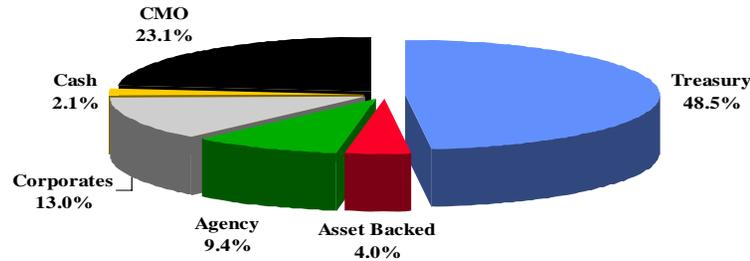
	3rd Quarter 2005 - Fiscal YTD						YTD			One Year*			3 Years*			5 Years*		
	Yield						Total Return	vs. LMAgg	+/- LMAgg									
	Total Return	vs. LMAgg	+/- LMAgg	Current Yield	to Maturity	Duration												
Atlanta Capital Mgt	-0.41%	above	0.27%	4.30%	4.40%	4.2 yrs	2.99%	above	1.16%	4.19%	above	1.39%	3.71%	below	-0.25%	6.55%	below	-0.08%
Lehman Agg. (Benchmark)	-0.68%	NA	NA	5.00%	4.90%	4.4 yrs	1.83%	NA	NA	2.80%	NA	NA	3.96%	NA	NA	6.63%	NA	NA

* Annualized Returns

G.I.F Services

Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending September 30, 2005

Trusco Capital Management Portfolio Diversification



Portfolio Comment

Bond yields began to reflect the impact of higher energy prices and a more stringent Fed policy during the third quarter, but still have not broken out of its recent ranges. The yield on the 10-year Treasury note rose nearly 40 basis points to close at 4.33%. Two- and five-year maturities rose even more dramatically, causing the yield curve to flatten further. Looking ahead requires sorting through the myriad of factors influencing growth and profitability, and determining which will be more lasting and which will be transitory. In our view, the negative effects of the spike in energy prices, while not insignificant over the near-term, will dissipate as disabled production is brought back online. The rise in short-term interest rates, the flatter yield curve, and the Fed's call for tighter standards on home equity lending will be a more sustained headwind, however. The economic expansion overall is relatively sound, with low inventories, high corporate cash flow, and continued job growth, but we see these headwinds as factors that will tend to slow economic momentum in the coming quarters and raise investment risk.

	3rd Quarter 2005 - Fiscal YTD						YTD			One Year*			3 Years*			Since Inception*		
	Yield												(12/31/03 - 9/30/05)					
	Total Return	vs. LM Agg	+/- LM Agg	Current Yield	to Maturity	Duration	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg
Trusco Capital Mgt	-0.50%	above	0.18%	4.40%	4.60%	4.2 yrs	2.03%	above	0.20%	3.19%	above	0.39%	NA	NA	NA	3.14%	below	-0.38%
Lehman Agg. (Benchmark)	-0.68%	NA	NA	5.00%	4.90%	4.4 yrs	1.83%	NA	NA	2.80%	NA	NA	NA	NA	NA	3.52%	NA	NA

* Annualized Returns

**G.I.F. Services Investment Report
Summary of Investments
 Nevada Higher Education Tuition Trust Fund Board
 Quarter Ending December 31, 2005**

Summary of Investments as of December 31, 2005

	4th Quarter 2005	1 Year*	3 Years*	5 Years*
	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>
Fixed Income Investment	0.54%	3.07%	3.24%	5.45%
Equity Investments	2.00%	7.21%	18.61%	2.85%
Total Fixed Income and Equity**	1.37%	5.38%	11.17%	5.16%

	FY06 YTD	FY05	FY04	FY03	FY02	FY01
	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>	<u>Total</u> <u>Return</u>
Fixed Income Investment	0.09%	6.91%	-0.08%	8.66%	9.90%	10.33%
Equity Investments	6.47%	10.95%	25.92%	2.62%	-19.78%	-15.45%
Total Fixed Income and Equity**	3.72%	9.16%	13.02%	6.27%	-3.96%	-2.43%

* Annualized Returns

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**G.I.F. Services Investment Report
GIF Sub-Advisor Managed Investments
 Nevada Higher Education Tuition Trust Fund Board
 Quarter Ending December 31, 2005**

Summary of Portfolio Returns											
	Assets Under Management (at market value)	4th Quarter 2005				Fiscal YTD July - December 2005			1 Year*		
		Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Yield to Maturity	Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Total	Portfolio vs. Benchmark	Spread +/- Benchmark
		Return				Return			Return		
Fixed Income Investment											
GIF/Atlanta Capital Mgt.	\$ 17,949,226	0.47%	below	-0.12%	4.60%	0.06%	above	0.15%	3.48%	above	1.05%
GIF/Trusco Capital Mgt.	\$ 17,372,000	0.62%	above	0.03%	4.80%	0.12%	above	0.21%	2.65%	above	0.22%
Lehman Agg. Index (Benchmark)		0.59%	NA	NA	5.10%	-0.09%	NA	NA	2.43%	NA	NA
Equity Investments:											
GIF/INVESCO Enhanced Index	\$ 15,222,736	2.37%	above	0.28%	NA	6.51%	above	0.74%	6.36%	above	1.45%
S&P 500 (Benchmark)		2.09%	NA	NA	NA	5.77%	NA	NA	4.91%	NA	NA

Summary of Investments

	4th Quarter 2005	July - December 2005	1 Year*
	Total	Total	Total
	<u>Return</u>	<u>Return</u>	<u>Return</u>
Fixed Income Investment	0.54%	0.09%	3.07%
Enhanced Equity Investment	2.37%	6.51%	6.36%
Mutual Fund Investments	1.82%	6.45%	9.35%
Total Fixed Income and Equity**	\$ 82,347,449	3.72%	5.38%

* Annualized Returns

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Investment Report
Mutual Fund Investments – Monitored by GIF
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending December 31, 2005

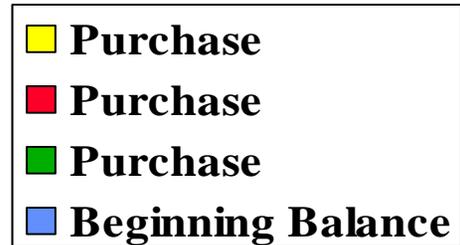
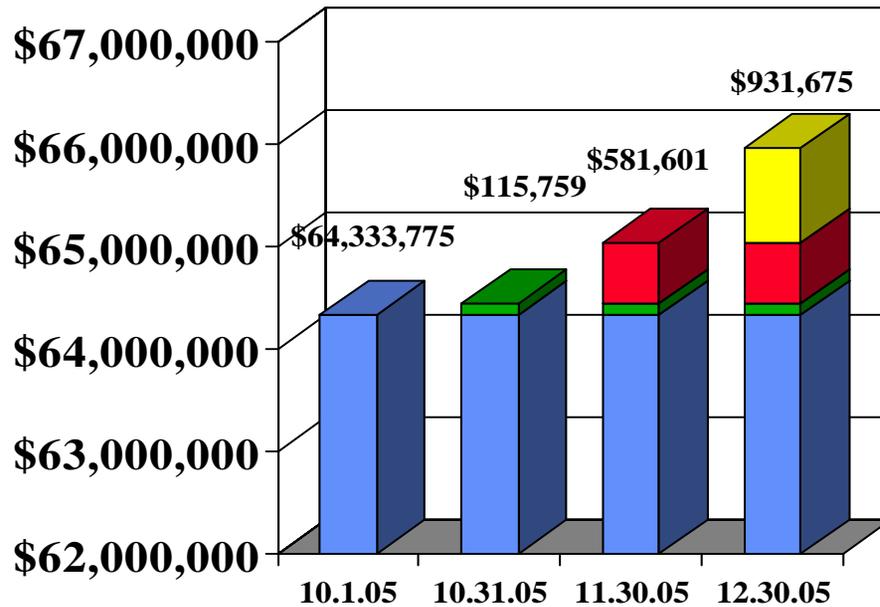
Summary of Mutual Fund Investments*										
		4th Quarter 2005			Fiscal YTD July - December 2005			1 Year		
		Total	Portfolio vs.	Spread +/-	Total	Portfolio vs.	Spread +/-	Total	Portfolio vs.	Spread +/-
<u>Equity Mutual Fund Investments</u>										
Dodge & Cox Stock Fund	\$ 11,840,162	3.01%			8.62%			9.37%		
S&P 500/Barra Value (Benchmark)		2.70%	above	0.31%	6.23%	above	2.39%	6.33%	above	3.04%
Russell 1000 Value Index (Benchmark)		1.27%	above	1.74%	5.20%	above	3.42%	7.05%	above	2.32%
Goldman Mid Cap Value Fund	\$ 4,509,630	0.74%			6.34%			12.90%		
S&P Midcap 400/Barra Value (Benchmark)		1.68%	below	-0.94%	7.18%	below	-0.84%	11.60%	above	1.30%
Russell Midcap Value Index (Benchmark)		1.34%	below	-0.60%	6.76%	below	-0.42%	12.65%	above	0.25%
Vanguard Strategic Equity	\$ 4,439,449	1.23%			6.69%			9.97%		
S&P Midcap 400 (Benchmark)		3.34%	below	-2.11%	8.38%	below	-1.70%	12.56%	below	-2.59%
Russell Midcap Index (Benchmark)		2.35%	below	-1.12%	8.41%	below	-1.72%	12.65%	below	-2.68%
FMI Common Stock Fund	\$ 4,213,446	3.56%			8.54%			9.45%		
S&P Midcap 400 (Benchmark)		3.34%	above	0.22%	8.38%	above	0.16%	12.56%	below	-3.11%
Russell Midcap Index (Benchmark)		2.35%	above	1.21%	8.41%	above	0.13%	12.65%	below	-3.20%
American Beacon Small Cap VL	\$ 3,518,508	0.76%			4.09%			5.79%		
S&P SmallCap 600/Barra Value (Benchmark)		0.55%	above	0.21%	4.73%	below	-0.65%	6.45%	below	-0.66%
Russell 2000 Value Index (Benchmark)		0.66%	above	0.10%	3.77%	above	0.31%	4.71%	above	1.08%
Harbor Small Cap Value Fund	\$ 3,282,292	-1.09%			2.43%			10.33%		
S&P SmallCap 600/Barra Value (Benchmark)		0.55%	below	-1.64%	4.73%	below	-2.30%	6.45%	above	3.88%
Russell 2000 Value Index (Benchmark)		0.66%	below	-1.75%	3.77%	below	-1.34%	4.71%	above	5.62%
Total Mutual Funds	\$ 31,803,487									
<u>Mutual Fund Composite Return</u>		1.82%			6.45%			9.35%		
<u>S&P 500 (Benchmark)</u>		2.09%	below	-0.27%	5.77%	above	0.68%	4.91%	above	4.44%

* The returns shown for the mutual funds above are for the funds not the Trust Fund's investment in these funds. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment. The Mutual Fund Composite returns are approximate returns based on the weighted returns of each investment, utilizing the market value of each investment at the beginning of each quarter. On November 25, 2003, funds were transferred from the Strong Mid-Cap Disc. Fund to the Vanguard Strategic Equity Fund and the Strong Small Cap Value Fund to the American Beacon Small Cap Value Fund, respectively. On July 5, 2005 the Royce Low-Priced Stock Fund investment was liquidated and the funds were reinvested in the Harbor Small Cap Fund and the current mid-cap investments.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending December 31, 2005**

**Schedule of Investment
Purchases**

Total Principal Invested of \$65,962,810

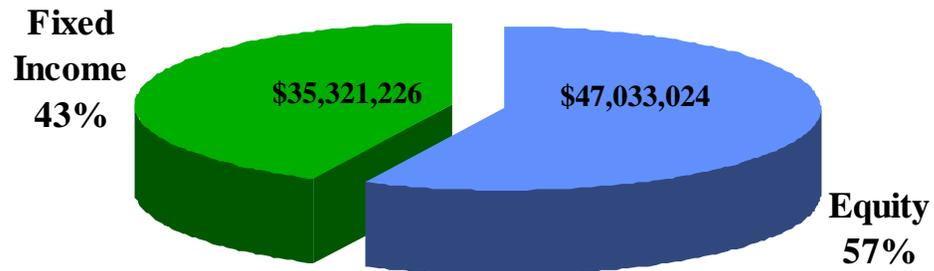


The initial investment was divided \$3,000,000 in fixed income and \$2,890,000 in equity. Subsequent purchases were split equally between fixed income and equity.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending December 31, 2005**

Asset Distribution

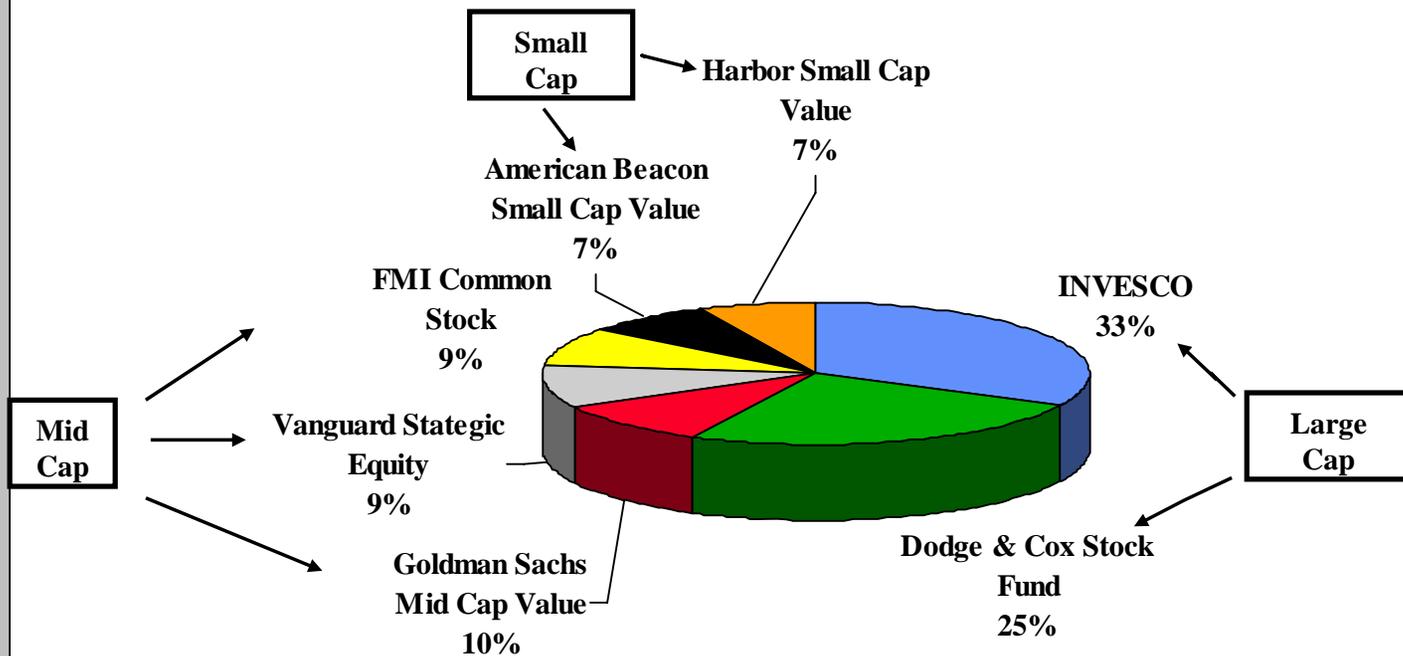
**Market Value as of
December 31, 2005**



On August 28, 2002, \$3,942,000 was transferred from the fixed income portfolio into equity investments to rebalance the investments.

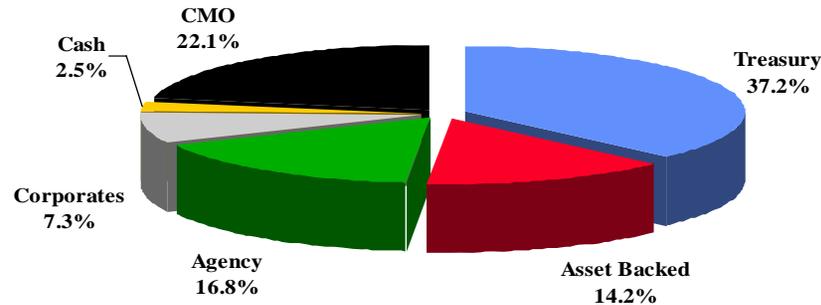
**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending December 31, 2005**

**Equity Investment Diversification
as of December 31, 2005**



G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending September 30, 2005

Atlanta Capital Management Co. Portfolio Diversification



Portfolio Comment

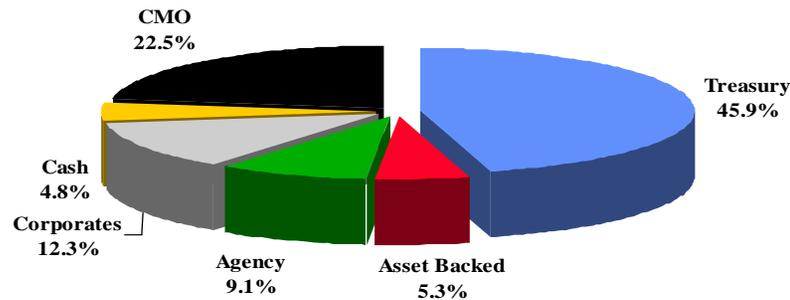
The fourth quarter brought signs of continued strong economic growth, modestly higher interest rates, a flatter yield curve and lackluster bond market returns. Treasuries led the market in the fourth quarter. The corporate sector, hurt by now-junk-rated Ford Motor Credit, lagged Treasuries by 25 basis points while the mortgage-backed sector performed similarly, underperforming Treasuries by 24 basis points. Agencies and asset-backed trailed Treasuries by 18 and 12 basis points, respectively. For the quarter, the portfolio's defensive duration and yield curve positioning strategy contributed slightly to performance while the portfolio's below market weight in Treasuries detracted from performance. For the year, the defensive duration and "barbell" strategies (an overweighting of short- and long-term securities versus intermediate maturity bonds) were the biggest contributors to performance. Our view is that the Fed is nearing the end of its tightening campaign and will likely stop in January or March, leaving the Fed funds rate at 4.50% or 4.75%. Corporate profit growth should decelerate in 2006, and with corporate spreads still tight, we remain underweight the sector favoring higher quality issues. Low coupon and well-structured mortgages remain attractive to us and we will continue to increase allocations to these issues.

	4th Quarter 2005						Fiscal YTD			One Year*			3 Years*			5 Years*		
	Total		vs.	+/-	Yield		Total	vs.	+/-	Total	vs.	+/-	Total	vs.	+/-	Total	vs.	+/-
	Return	LMAgg	LMAgg	Yield	Maturity	Duration												
Atlanta Capital Mgt	0.47%	below	-0.12%	4.40%	4.60%	4.4 yrs	0.06%	above	0.15%	3.48%	above	1.05%	3.48%	below	-0.14%	5.60%	below	-0.91%
Lehman Agg. (Benchmark)	0.59%	NA	NA	5.10%	5.10%	4.6 yrs	-0.09%	NA	NA	2.43%	NA	NA	3.62%	NA	NA	6.51%	NA	NA

* Annualized Returns

G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending December 31, 2005

Trusco Capital Management Portfolio Diversification



Portfolio Comment

In the fixed income markets, the yield on the 10-year Treasury note was relatively unchanged in the final three months and closed at 4.39%. However, additional rate hikes from the Federal Reserve continued to lift short term yields causing the yield curve to flatten, and by December 31, the yield on the 2-year Treasury was slightly above 5- and 10-year yields: technically a yield curve “inversion”. We expect the Federal Reserve to pause in its long string of interest rate increases over the course of 2006, but final policy decisions will depend heavily on the evolution of the inflation mosaic. Core inflation remained moderate for most of 2005, but relative steadiness of inflation was the result of rising costs in some segments being offset by deflation in other areas. We believe that dynamic or “mosaic” will continue in 2006 allowing core inflation to remain reasonably contained. In our fixed-income portfolios we are also emphasizing quality and are maintaining an overweight position in Treasuries versus Corporates and Mortgages. We do believe some of these “spread” sectors could become more attractive in 2006, and we will continue to monitor them closely.

	4th Quarter 2005						YTD			One Year*			3 Years*			Since Inception*		
	Return	vs. LM Agg	+/- LM Agg	Yield			Return	vs. LM Agg	+/- LM Agg	Return	vs. LM Agg	+/- LM Agg	Return	vs. LM Agg	+/- LM Agg	Return	vs. LM Agg	+/- LM Agg
				Current	to Maturity	Duration												
Trusco Capital Mgt	0.62%	above	0.03%	4.40%	4.80%	4.0 yrs	0.12%	above	0.21%	2.65%	above	0.22%	NA	NA	NA	3.04%	below	-0.34%
Lehman Agg. (Benchmark)	0.59%	NA	NA	5.10%	5.10%	4.6 yrs	-0.09%	NA	NA	2.43%	NA	NA	NA	NA	NA	3.38%	NA	NA

* Annualized Returns

G.I.F. Services Investment Report
Summary of Investments
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending March 31, 2006

Summary of Investments as of March 31, 2006

	1st Quarter 2006	1 Year*	3 Years*
	Total	Total	Total
	<u>Return</u>	<u>Return</u>	<u>Return</u>
Fixed Income Investment	-0.49%	2.52%	3.07%
Equity Investments	6.41%	15.42%	21.09%
Total Fixed Income and Equity**	3.45%	9.74%	12.43%

	FY06 YTD	FY05	FY04	FY03	FY02	FY01
	Total	Total	Total	Total	Total	Total
	<u>Return</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>
Fixed Income Investment	-0.40%	6.91%	-0.08%	8.66%	9.90%	10.33%
Equity Investments	13.41%	10.95%	25.92%	2.62%	-19.78%	-15.45%
Total Fixed Income and Equity**	7.30%	9.16%	13.02%	6.27%	-3.96%	-2.43%

* Annualized Returns

** The Fixed Income and Equity and Mutual Fund Composite total returns are approximate returns based on the weighted returns of each investment. The returns are weighted based on the market value at the beginning of each quarter for each investment. This return utilizes the quarterly return of each mutual fund and is an approximation of the Trust Fund's investment return and the monthly investments into each investment. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment.

The market value of assets and total returns have been provided by the Atlanta Capital Management Company, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates are gross of advisory and custodial fees. The equity investments are net of the respective mutual fund expenses.

**G.I.F. Services Investment Report
GIF Sub-Advisor Managed Investments
 Nevada Higher Education Tuition Trust Fund Board
 Quarter Ending March 31, 2006**

Summary of Portfolio Returns											
	Assets Under Management (at market value)	1st Quarter 2006				Fiscal YTD July 2005 - March 2006			1 Year*		
		Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Yield to Maturity	Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Total	Portfolio vs. Benchmark	Spread +/- Benchmark
		Return				Return			Return		
Fixed Income Investment											
GIF/Atlanta Capital Mgt.	\$ 18,403,687	-0.54%	above	0.10%	5.20%	-0.48%	above	0.25%	2.67%	above	0.41%
GIF/Trusco Capital Mgt.	\$ 17,851,000	-0.43%	above	0.21%	5.20%	-0.32%	above	0.41%	2.38%	above	0.12%
Lehman Agg. Index (Benchmark)		-0.64%	NA	NA	5.50%	-0.73%	NA	NA	2.26%	NA	NA
Equity Investments:											
GIF/INVESCO Enhanced Index	\$ 16,344,859	4.85%	above	0.64%	NA	11.67%	above	1.45%	13.06%	above	1.33%
S&P 500 (Benchmark)		4.21%	NA	NA	NA	10.22%	NA	NA	11.73%	NA	NA

Summary of Investments

	1st Quarter 2006	July 2005 - March 2006	1 Year*
	Total Return	Total Return	Total Return
Fixed Income Investment	-0.49%	-0.40%	2.52%
Enhanced Equity Investment	4.85%	11.67%	13.06%
Mutual Fund Investments	7.16%	14.17%	17.28%
Total Fixed Income and Equity**	\$ 87,405,143 3.45%	7.30%	9.74%

* Annualized Returns

** The Fixed Income and Equity and Mutual Fund Composite total returns are approximate returns based on the weighted returns of each investment. The returns are weighted based on the market value at the beginning of each quarter for each investment. This return utilizes the quarterly return of each mutual fund and is an approximation of the Trust Fund's investment return and the monthly investments into each investment. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment.

The market value of assets and total returns have been provided by the Atlanta Capital Management Company, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates are gross of advisory and custodial fees. The equity investments are net of the respective mutual fund expenses.

Investment Report
Mutual Fund Investments – Monitored by GIF
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending March 31, 2006

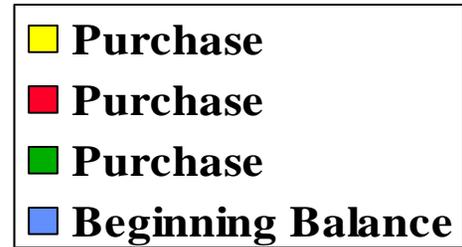
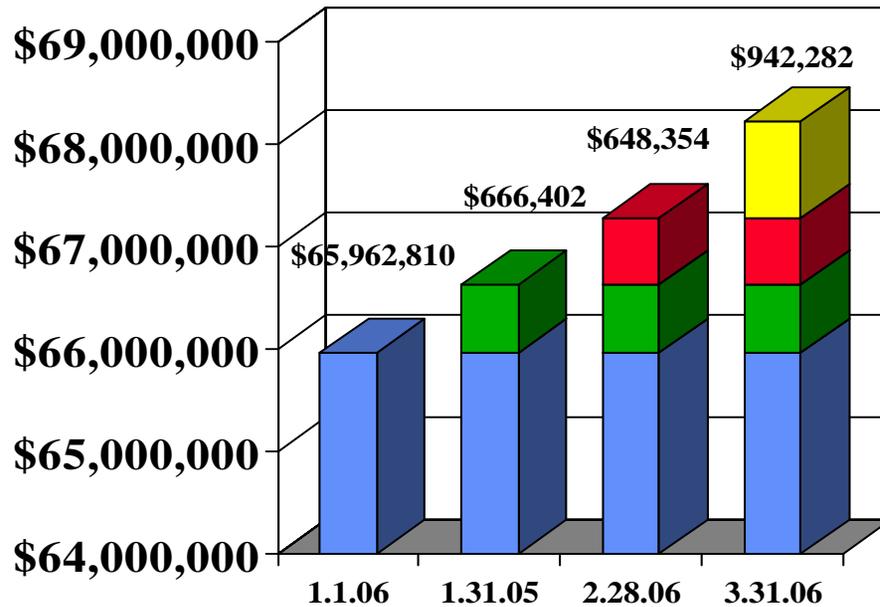
Summary of Mutual Fund Investments*										
		1st Quarter 2006			Fiscal YTD July 2005 - March 2006			1 Year		
		Total	Portfolio	Spread	Total	Portfolio	Spread	Total	Portfolio	Spread
		Return	vs. Benchmark	+/- Benchmark	Return	vs. Benchmark	+/- Benchmark	Return	vs. Benchmark	+/- Benchmark
<u>Equity Mutual Fund Investments</u>										
Dodge & Cox Stock Fund	\$ 12,737,482	5.30%			14.38%			15.02%		
S&P 500 Value (Benchmark)		5.87%	below	-0.57%	12.47%	above	1.91%	15.38%	below	-0.36%
Russell 1000 Value Index (Benchmark)		5.93%	below	-0.63%	11.44%	above	2.94%	13.31%	above	1.71%
Goldman Mid Cap Value Fund	\$ 4,879,140	6.10%			12.83%			17.31%		
S&P Midcap 400 Value (Benchmark)		9.07%	below	-2.97%	16.90%	below	-4.07%	22.59%	below	-5.28%
Russell Midcap Value Index (Benchmark)		7.62%	below	-1.52%	14.90%	below	-2.07%	20.30%	below	-2.99%
Vanguard Strategic Equity	\$ 4,939,281	9.12%			16.42%			22.28%		
S&P Midcap 400 (Benchmark)		7.62%	above	1.50%	16.64%	below	-0.23%	21.61%	above	0.67%
Russell Midcap Index (Benchmark)		7.61%	above	1.51%	16.66%	below	-0.24%	21.54%	above	0.74%
FMI Common Stock Fund	\$ 4,673,285	8.66%			17.94%			18.98%		
S&P Midcap 400 (Benchmark)		7.62%	above	1.04%	16.64%	above	1.30%	21.61%	below	-2.63%
Russell Midcap Index (Benchmark)		7.61%	above	1.05%	16.66%	above	1.28%	21.54%	below	-2.56%
American Beacon Small Cap VL	\$ 3,919,487	8.97%			13.42%			18.01%		
S&P SmallCap 600 Value (Benchmark)		14.28%	below	-5.31%	19.69%	below	-6.27%	24.06%	below	-6.05%
Russell 2000 Value Index (Benchmark)		13.51%	below	-4.54%	17.79%	below	-4.37%	23.77%	below	-5.76%
Harbor Small Cap Value Fund	\$ 3,656,922	8.83%			11.48%			17.49%		
S&P SmallCap 600 (Benchmark)		12.84%	below	-4.01%	19.37%	below	-7.90%	24.06%	below	-6.57%
Russell 2000 Index (Benchmark)		13.94%	below	-5.11%	20.63%	below	-9.16%	25.85%	below	-8.36%
Total Mutual Funds	\$ 34,805,597									
<u>Mutual Fund Composite Return</u>		<u>7.16%</u>			<u>14.17%</u>			<u>17.28%</u>		
<u>S&P 500 (Benchmark)</u>		<u>4.21%</u>	<u>above</u>	<u>2.95%</u>	<u>10.22%</u>	<u>above</u>	<u>3.95%</u>	<u>11.73%</u>	<u>above</u>	<u>5.55%</u>

* The returns shown for the mutual funds above are for the funds not the Trust Fund's investment in these funds. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment. The Mutual Fund Composite returns are approximate returns based on the weighted returns of each investment, utilizing the market value of each investment at the beginning of each quarter. On November 25, 2003, funds were transferred from the Strong Mid-Cap Disc. Fund to the Vanguard Strategic Equity Fund and the Strong Small Cap Value Fund to the American Beacon Small Cap Value Fund, respectively. On July 5, 2005 the Royce Low-Priced Stock Fund investment was liquidated and the funds were reinvested in the Harbor Small Cap Fund and the current mid-cap investments.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending March 31, 2006**

**Schedule of Investment
Purchases**

Total Principal Invested of \$68,219,848

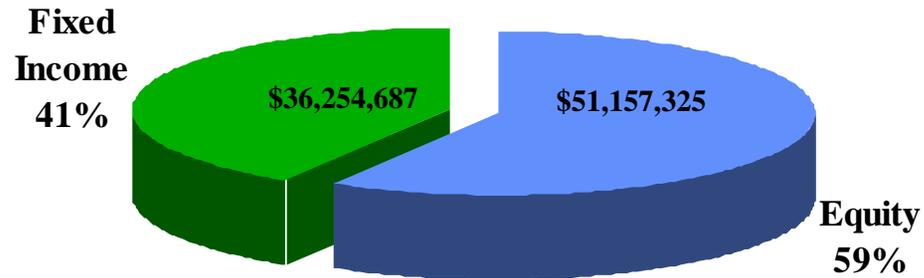


The initial investment was divided \$3,000,000 in fixed income and \$2,890,000 in equity. Subsequent purchases were split equally between fixed income and equity.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending March 31, 2006**

Asset Distribution

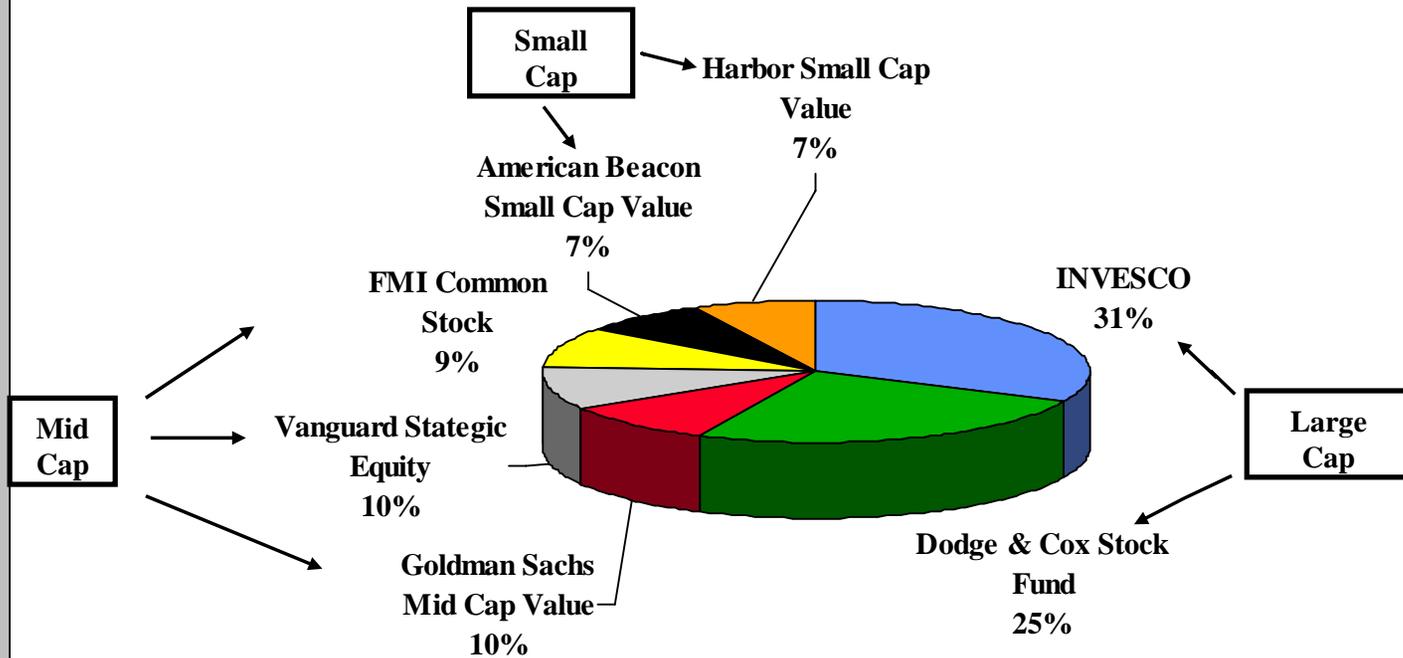
**Market Value as of
March 31, 2006**



On August 28, 2002, \$3,942,000 was transferred from the fixed income portfolio into equity investments to rebalance the investments.

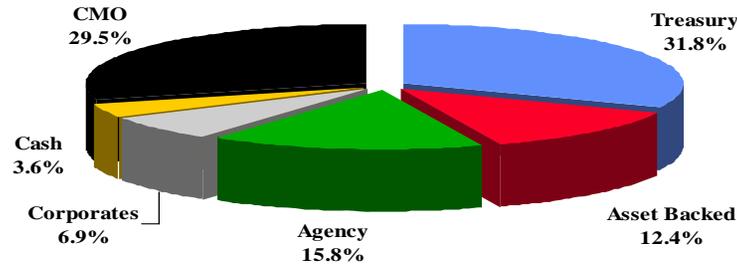
**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending March 31, 2006**

**Equity Investment Diversification
as of March 31, 2006**



G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending March 31, 2006

**Atlanta Capital Management Co.
Portfolio Diversification**



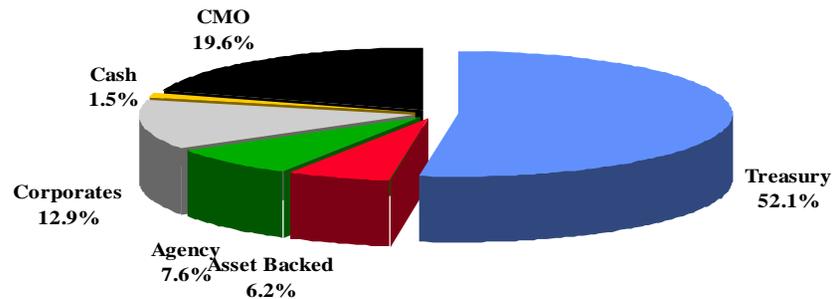
Portfolio Comment

Interest rates continued to rise in the first quarter pushing bond prices lower, fully eroding coupon income in longer-term portfolios. In a reversal of last quarter, Treasuries lagged all other sectors in the first quarter. Mortgage-backed led the market, beating equivalent maturity Treasuries by 44 basis points. Corporate bonds, asset-backed and agencies performed roughly in line with each other and outperformed equivalent maturity Treasuries by 33, 31 and 29 basis points, respectively. Lower quality bonds performed well in the quarter as 'BBB' rated bonds (the lowest in the investment grade bond market) outpaced Treasuries by 61 basis points. 'AAA' rated bonds managed only 26 basis points of excess return in the quarter. We expect corporate profit growth to decelerate in 2006 and merger and acquisition activity to remain robust, which generally weakens corporate balance sheets. With corporate bond yield spreads tight, we remain underweight the sector, favoring higher quality alternatives. Low coupon and well-structured mortgages remain attractive to us. We continue to position the portfolios with a slightly shorter-than-benchmark duration reflecting the risk of higher rates in the near term.

	1st Quarter 2006							Fiscal YTD			One Year*			3 Years*			5 Years*		
	Total Return	vs. LM Agg	+/- LM Agg	Yield			Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	
				Current Yield	Maturity	Duration													
Atlanta Capital Mgt	-0.54%	above	0.10%	4.70%	5.20%	4.4 yrs	-0.48%	above	0.25%	2.67%	above	0.41%	2.97%	above	0.05%	5.03%	below	-0.08%	
Lehman Agg. (Benchmark)	-0.64%	NA	NA	5.20%	5.50%	4.7 yrs	-0.73%	NA	NA	2.26%	NA	NA	2.92%	NA	NA	5.11%	NA	NA	
* Annualized Returns																			

G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending March 31, 2006

Trusco Capital Management Portfolio Diversification



Portfolio Comment

The Fed remained steadfast in the first quarter as Ben Bernanke took the helm at the FOMC. During the quarter, the Fed pushed the Fed Funds rate up a ½ point to 4¼% and also extended the hawkish tone in their statements and speeches. As a result, the entire yield curve moved up in tandem and short-term bonds handily outperformed longer-term bonds. Lower volatility and tighter swap spreads benefited U.S. Agency securities and mortgage backed securities as they were the best performing investment grade sectors. Looking forward, the extent of further Fed tightening is more data dependent as policy expectations are currently pushing the upper boundaries of neutral. A relatively flat yield curve is historically positive for short-term bonds.

	1st Quarter 2006						YTD			One Year*			3 Years*			Since Inception*		
	Total Return	vs.	+/-	Yield			Total Return	vs.	+/-	Total Return	vs.	+/-	Total Return	vs.	+/-	Total Return	vs.	+/-
				Current	to	Duration												
Trusco Capital Mgt	-0.43%	above	0.21%	4.70%	5.20%	4.1 yrs	-0.32%	above	0.41%	2.38%	above	0.12%	NA	NA	NA	2.51%	below	-0.19%
Lehman Agg. (Benchmark)	-0.64%	NA	NA	5.20%	5.50%	4.7 yrs	-0.73%	NA	NA	2.26%	NA	NA	NA	NA	NA	2.70%	NA	NA
* Annualized Returns																		

G.I.F. Services Investment Report
Summary of Investments
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending June 30, 2006

Summary of Investments as of June 30, 2006

	2nd Quarter 2006	1 Year*	3 Years*
	Total <u>Return</u>	Total <u>Return</u>	Total <u>Return</u>
Fixed Income Investment	0.12%	-0.28%	2.12%
Equity Investments	-1.48%	11.76%	16.01%
Total Fixed Income and Equity**	-0.81%	6.43%	9.50%

	FY06	FY05	FY04	FY03	FY02	FY01
	Total <u>Return</u>	Total <u>Return</u>	Total <u>Return</u>	Total <u>Return</u>	Total <u>Return</u>	Total <u>Return</u>
Fixed Income Investment	-0.28%	6.91%	-0.08%	8.66%	9.90%	10.33%
Equity Investments	11.76%	10.95%	25.92%	2.62%	-19.78%	-15.45%
Total Fixed Income and Equity**	6.43%	9.16%	13.02%	6.27%	-3.96%	-2.43%

* Annualized Returns

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The market value of assets and total returns have been provided by Atlanta Capital Management, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates for the fixed income accounts and the INVESCO Enhanced Index investment are gross of advisory and custodial fees. The remaining equity investments are net of the respective mutual fund expenses and gross of the State's custodian fees.

**G.I.F. Services Investment Report
GIF Sub-Advisor Managed Investments
 Nevada Higher Education Tuition Trust Fund Board
 Quarter Ending June 30, 2006**

Summary of Portfolio Returns											
	Assets Under Management (at market value)	2nd Quarter 2006				YTD January - June 2006			Fiscal YTD 1 Year*		
		Total	Portfolio vs. Benchmark	Spread +/- Benchmark	Yield to Maturity	Total Return	Portfolio vs. Benchmark	Spread +/- Benchmark	Total Return	Portfolio vs. Benchmark	Spread +/- Benchmark
		Return									
Fixed Income Investment											
GIF/Atlanta Capital Mgt.	\$ 18,921,045	0.04%	above	0.12%	5.60%	-0.49%	above	0.24%	-0.44%	above	0.38%
GIF/Trusco Capital Mgt.	\$ 18,402,000	0.21%	above	0.29%	5.50%	-0.22%	above	0.51%	-0.10%	above	0.72%
Lehman Agg. Index (Benchmark)		-0.08%	NA	NA	5.80%	-0.73%	NA	NA	-0.82%	NA	NA
Equity Investments:											
GIF/INVESCO Enhanced Index	\$ 16,514,597	-1.15%	above	0.29%	NA	3.65%	above	0.94%	10.39%	above	1.76%
S&P 500 (Benchmark)		-1.44%	NA	NA	NA	2.71%	NA	NA	8.63%	NA	NA

Summary of Investments

	2nd Quarter 2006	January - June 2006	1 Year*
	Total Return	Total Return	Total Return
Fixed Income Investment	0.12%	-0.36%	-0.28%
Enhanced Equity Investment	-1.15%	3.65%	10.39%
Mutual Fund Investments	-1.63%	5.41%	12.24%
Total Fixed Income and Equity**	\$ 88,730,415 -0.81%	2.61%	6.43%

* Annualized Returns

** The Fixed Income and Equity and Mutual Fund Composite total returns are approximate returns based on the weighted returns of each investment. The returns are weighted based on the market value at the beginning of each quarter for each investment. This return utilizes the quarterly return of each mutual fund and is an approximation of the Trust Fund's investment return and the monthly investments into each investment. Changes in mutual fund investments result in these returns being approximations, not the actual return of the Trust Fund's investment.

The market value of assets and total returns have been provided by Atlanta Capital Management, Trusco Capital, INVESCO, Morningstar, and Wells Fargo, as custodian. Performance rates for the fixed income accounts and the INVESCO Enhanced Index investment are gross of advisory and custodial fees. The remaining equity investments are net of the respective mutual fund expenses and gross of the State's custodian fees.

Investment Report
Mutual Fund Investments – Monitored by GIF
Nevada Higher Education Tuition Trust Fund Board
Quarter Ending June 30, 2006

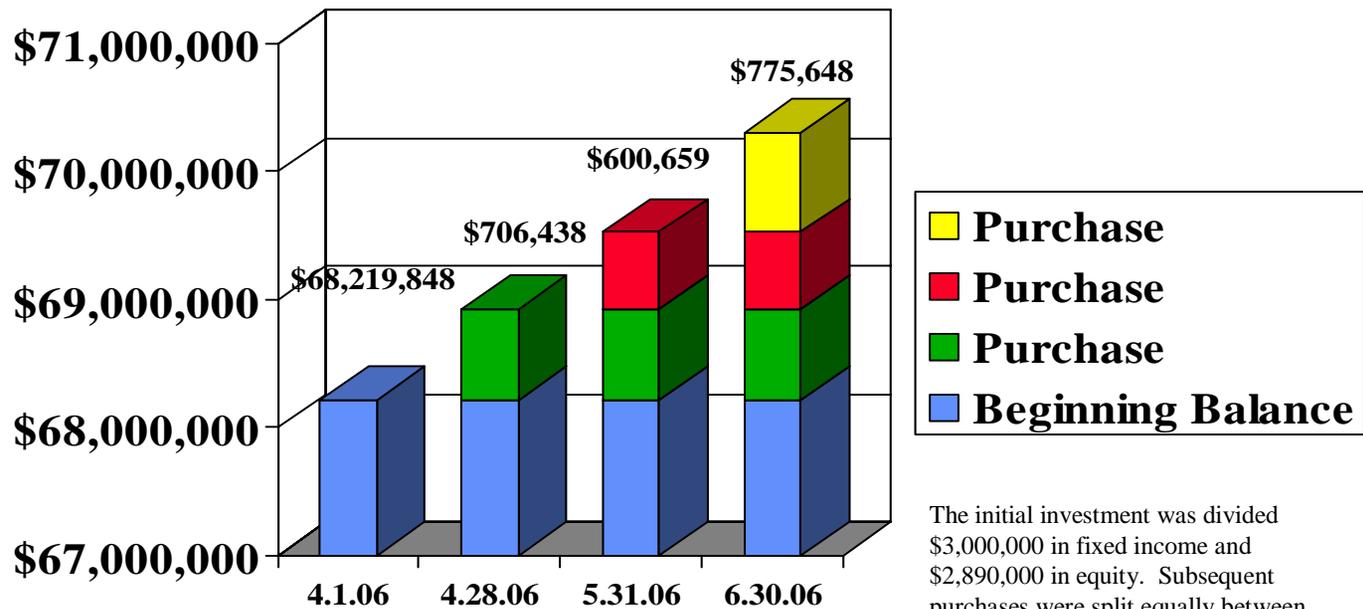
Summary of Mutual Fund Investments*										
		2nd Quarter 2006			YTD January - June 2006			Fiscal YTD 1 Year		
		Total	Portfolio	Spread	Total	Portfolio	Spread	Total	Portfolio	Spread
		Return	vs. Benchmark	+/- Benchmark	Return	vs. Benchmark	+/- Benchmark	Return	vs. Benchmark	+/- Benchmark
Equity Mutual Fund Investments										
Dodge & Cox Stock Fund	\$ 13,087,478	0.81%			6.15%			15.30%		
S&P 500 Value (Benchmark)		0.62%	above	0.19%	6.54%	below	-0.39%	12.66%	above	2.64%
Russell 1000 Value Index (Benchmark)		0.59%	above	0.22%	6.56%	below	-0.41%	12.10%	above	3.20%
Goldman Mid Cap Value Fund	\$ 4,900,005	-1.34%			4.68%			11.32%		
S&P Midcap 400 Value (Benchmark)		-1.86%	above	0.52%	7.04%	below	-2.36%	14.72%	below	-3.40%
Russell Midcap Value Index (Benchmark)		-0.56%	below	-0.78%	7.02%	below	-2.34%	14.26%	below	-2.94%
Vanguard Strategic Equity	\$ 4,880,295	-2.93%			5.93%			13.01%		
S&P Midcap 400 (Benchmark)		-3.15%	above	0.22%	4.24%	above	1.69%	12.98%	above	0.03%
Russell Midcap Index (Benchmark)		-2.58%	below	-0.35%	4.84%	above	1.09%	13.66%	below	-0.65%
FMI Common Stock Fund	\$ 4,556,216	-4.31%			3.98%			12.87%		
S&P Midcap 400 (Benchmark)		-3.15%	below	-1.16%	4.24%	below	-0.26%	12.98%	below	-0.11%
Russell Midcap Index (Benchmark)		-2.58%	below	-1.73%	4.84%	below	-0.86%	13.66%	below	-0.79%
American Beacon Small Cap VL	\$ 3,874,363	-3.10%			5.59%			9.91%		
S&P SmallCap 600 Value (Benchmark)		-3.99%	above	0.89%	9.73%	below	-4.14%	14.72%	below	-4.81%
Russell 2000 Value Index (Benchmark)		-2.70%	below	-0.40%	10.44%	below	-4.85%	14.61%	below	-4.70%
Harbor Small Cap Value Fund	\$ 3,594,416	-3.80%			4.69%			7.23%		
S&P SmallCap 600 (Benchmark)		-4.56%	above	0.76%	7.70%	below	-3.01%	13.94%	below	-6.71%
Russell 2000 Index (Benchmark)		-5.02%	above	1.22%	8.21%	below	-3.52%	14.58%	below	-7.35%
Total Mutual Funds	\$ 34,892,773									
Mutual Fund Composite Return		-1.63%	below		5.41%	above		12.24%	above	
S&P 500 (Benchmark)		-1.44%		-0.19%	2.71%		2.70%	8.63%		3.61%

* The returns shown for the mutual funds above are for the funds not the Trust Fund's investment in these funds. Changes in mutual fund investments result in these returns being approximations, not the actual return of the of the Trust Fund's investment. The Mutual Fund Composite returns are approximate returns based on the weighted returns of each investment, utilizing the market value of each investment at the beginning of each quarter. On November 25, 2003, funds were transferred from the Strong Mid-Cap Disc. Fund to the Vanguard Strategic Equity Fund and the Strong Small Cap Value Fund to the American Beacon Small Cap Value Fund, respectively. On July 5, 2005 the Royce Low-Priced Stock Fund investment was liquidated and the funds were reinvested in the Harbor Small Cap Fund and the current mid-cap investments.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2006**

**Schedule of Investment
Purchases**

Total Principal Invested of \$70,302,593



The initial investment was divided \$3,000,000 in fixed income and \$2,890,000 in equity. Subsequent purchases were split equally between fixed income and equity.

**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2006**

Asset Distribution

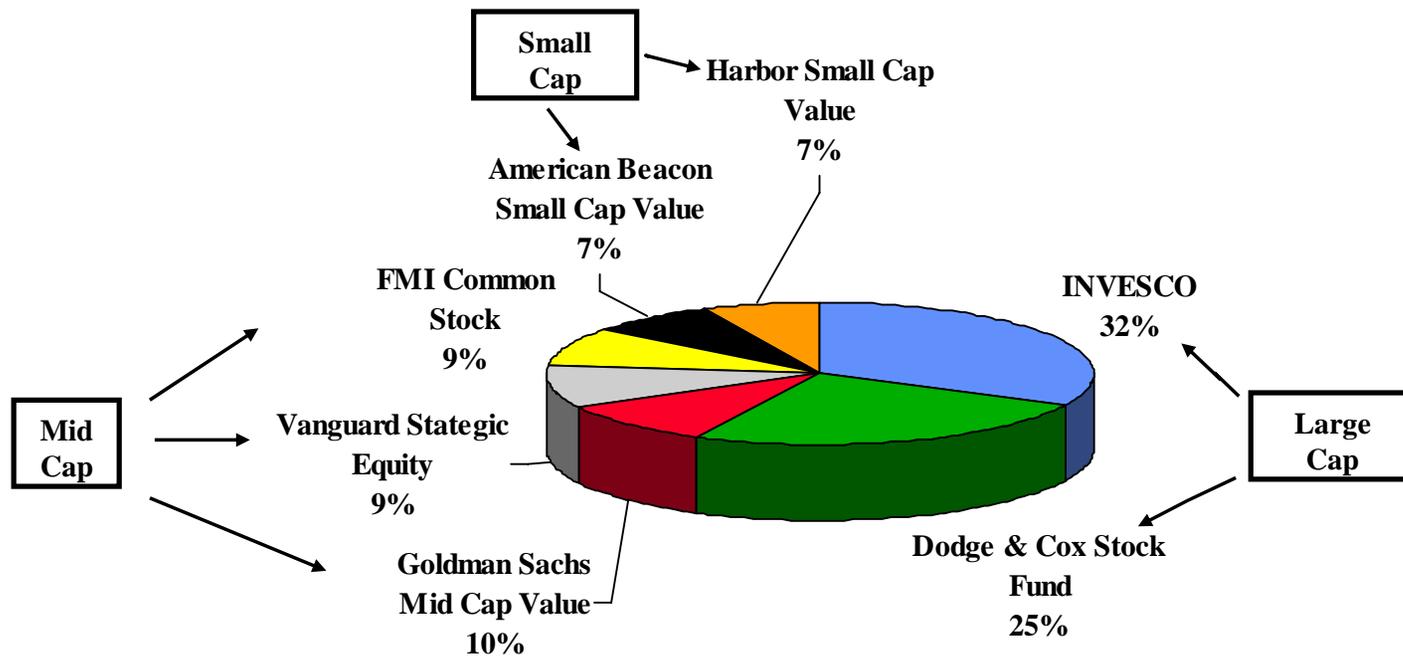
**Market Value as of
June 30, 2006**



On August 28, 2002, \$3,942,000 was transferred from the fixed income portfolio into equity investments to rebalance the investments.

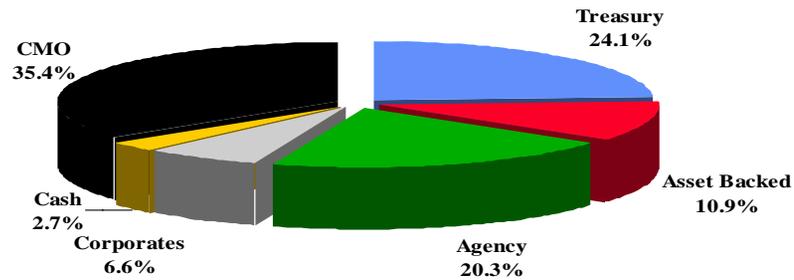
**G.I.F Services
Investment Report to the
Nevada Higher Education Tuition Trust Fund
for the Quarter Ending June 30, 2006**

**Equity Investment Diversification
as of June 30, 2006**



G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending June 30, 2006

**Atlanta Capital Management Co.
Portfolio Diversification**



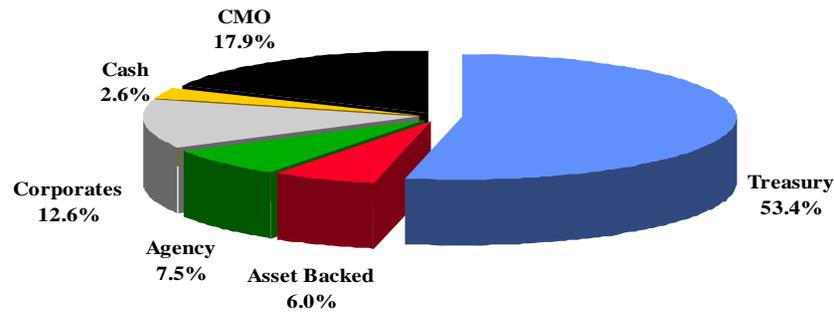
Portfolio Comment

Higher and flatter. That's how the Treasury yield curve reacted to stronger than expected economic data and higher than expected inflation statistics. Treasuries led the market for the second time in three quarters. The combination of hawkish Fed comments, a downdraft in commodity markets, saber rattling by North Korea and Iran and the escalating Israeli-Palestinian conflict caused non-Treasury securities to lag in May and June. Due to strong performance in April, the high quality asset-backed and agency sectors nearly kept pace with Treasuries in the quarter, lagging by 1 and 5 basis points, respectively. Mortgages and corporates fared worse, lagging similar maturity Treasuries by 13 and 19 basis points respectively. Historically, a flight to quality stemming from the geopolitical headlines tends to be short lived. Rather, a sustainable, long-term turn in the quality cycle typically results from a change in economic and corporate profit fundamentals. We believe that high energy prices, rising interest rates and a faltering housing market are beginning to weigh on the economy and corporate profits. Further, tight credit spreads and significant merger and acquisition activity, which generally weakens corporate balance sheets, will limit further out-performance in the credit sector. We remain underweight corporate bonds, favoring the higher quality sectors.

	2nd Quarter 2006						YTD			Fiscal Year 2006*			3 Years*			5 Years*		
	Total Return	vs. LMAgg	+/- LMAgg	Yield			Total Return	vs. LMAgg	+/- LMAgg	Total Return	vs. LMAgg	+/- LMAgg	Total Return	vs. LMAgg	+/- LMAgg	Total Return	vs. LMAgg	+/- LMAgg
				Current Yield	Maturity	Duration												
Atlanta Capital Mgt	0.04%	above	0.12%	4.90%	5.60%	4.4 yrs	-0.49%	above	0.24%	-0.44%	above	0.38%	2.32%	above	0.27%	5.05%	above	0.08%
Lehman Agg. (Benchmark)	-0.08%	NA	NA	5.30%	5.80%	4.8 yrs	-0.73%	NA	NA	-0.82%	NA	NA	2.05%	NA	NA	4.97%	NA	NA
* Annualized Returns																		

G.I.F Services Investment Report to the Nevada Higher Education Tuition Trust Fund for the Quarter Ending June 30, 2006

Trusco Capital Management Portfolio Diversification



Portfolio Comment

Accelerating inflation in the second quarter kept the Federal Reserve in motion which pushed rates higher across the investment grade fixed income spectrum. The FOMC increased the Fed Funds rate by 50bp during the quarter to 5.25% while short-term US Treasury yields moved above 5% for the first time since 2001. The US Treasury yield curve inverted as the 2yr year note ended the quarter at 5.15% while the 5yr year note was 5.10%. As yields moved higher during the quarter, short-term bonds outperformed longer-term bonds. Looking forward, the extent of further Fed action depends on the tug of war between slowing growth and rising inflation expectations. A flat/inverted yield curve is historically positive for short-term bonds. Keeping the portfolio's duration shorter than the benchmark and in higher quality names helped us outperform for the quarter. We have moved our duration longer feeling the Fed may be through raising rates.

	2nd Quarter 2006						YTD			Fiscal Year 2006*			3 Years*			Since Inception*		
	Total Return	vs. LM Agg	+/- LM Agg	Yield			Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg	Total Return	vs. LM Agg	+/- LM Agg
				Current Yield	to Maturity	Duration												
Trusco Capital Mgt	0.21%	above	0.29%	4.50%	5.50%	3.6 yrs	-0.22%	above	0.51%	-0.10%	above	0.72%	NA	NA	NA	2.35%	below	-0.05%
Lehman Agg. (Benchmark)	-0.08%	NA	NA	5.30%	5.80%	4.8 yrs	-0.73%	NA	NA	-0.82%	NA	NA	NA	NA	NA	2.40%	NA	NA
* Annualized Returns																		

MARKETING OBJECTIVES AND STRATEGIES

The Board of Trustees of the College Savings Plans of Nevada (Board) contracted with a marketing/public relations firm to provide advertising and marketing for the Program. As approved by the Legislature, \$102,500 is available each year to promote the Program across the State.

To leverage the best value from the amount of marketing money available, the State Treasurer's office combined marketing and public relations efforts with the Upromise College Fund 529 Plan. A variety of formats was used, including direct mail pieces, targeted e-mails, magazine placement in special education editions of *Newsweek* and *U.S. News & World Report*, and ADVVO, which is the company behind the *Shopwise* brand and uses weekly mailers for targeted outreach.

Enrollment and Program information has been transitioned to a web-based format. The State Treasurer's office no longer relies on large distributions of enrollment brochures to all school children, instead making all of the information easily accessible online. Should an interested purchaser not have internet access, staff prints the pertinent information from the website and mails the enrollment form, price details and program description. Program information is provided in both English and Spanish.

The State Treasurer's staff continues to do extensive outreach within the education community, distributing flyers and making presentations to students and parents at schools, PTAs, civic groups, Department of Education meetings and school counselor groups to promote the Program and explain its compatibility with the Millennium Scholarship Program and the Upromise College Fund 529 Plan, both administered by the State Treasurer. Our goal is to increase participation from lower income families by showing them an easy way to start saving for college. A family may spend as little as \$32 per month to purchase two years of tuition (60 credit hours) at community college, allowing their child to graduate with an Associate degree, or \$138 per month to purchase four years of tuition (120 credit hours) at a university, allowing their child to graduate with a Bachelor's degree.

Our office successfully worked with the National Association of State Treasurers and College Savings Plans Network Federal Initiatives Committee to gain congressional approval of the Pension Protection Act (H.R.4), which made permanent the favorable tax provisions in place for Section 529 plans. After a decade of work, families now have the certainty that the tax advantages of 529 plans will be there when they send their children to college.