

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM**

JUNE 30, 2014 AND 2013

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
JUNE 30, 2014 AND 2013**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
<u>Independent Auditor's Report:</u>	
On Financial Statements	1-2
<u>Financial Statements:</u>	
Statements of Plan Net Position	3
Statements of Changes in Plan Net Position	4
Notes to Financial Statements	5-10
<u>Required Supplementary Information:</u>	
Schedule of Funding Progress	11
Schedule of Employer Contributions	11
<u>Compliance Section:</u>	
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12

Casey, Neilon & Associates, LLC
Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of the
Public Employees' Benefits Program

Report on the Financial Statements

We have audited the accompanying financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Public Employees' Benefits Programs basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada as of June 30, 2014 and 2013, and the changes in plan net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2014 and 2013, and the changes in its plan net position, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress and the Schedule of Employer Contributions on page 11, be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 on our consideration of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada's internal control over financial reporting and compliance.

Casey, Nalor + Associates, LLC

Carson City, Nevada
October 30, 2014

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
STATEMENTS OF PLAN NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash with treasurer	\$ 1,787,619	\$ 3,748,631
Intergovernmental receivable	20,836	893,012
Due from other funds	127,599	128,789
Due from component unit	1,330,987	1,350,696
Investments at fair value	1,253,459	1,060,841
Total Assets	4,520,500	7,181,969
LIABILITIES		
Due to other funds	2,997,009	2,735,621
Total Liabilities	2,997,009	2,735,621
NET POSITIONS		
Held in trust for other postemployment benefits	\$ 1,523,491	\$ 4,446,348

See accompanying notes.

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE BENEFITS FUND
STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
ADDITIONS		
Contributions		
Employer contributions	\$ 32,697,856	\$ 36,686,124
Investment income		
Interest and dividends	38,710	36,255
Net appreciation (depreciation) in fair value of investments	208,109	56,570
Investment expense	(472)	(411)
Net investment income	246,347	92,414
Total additions	32,944,203	36,778,538
DEDUCTIONS		
Benefit payments	35,867,060	33,609,882
Total deductions	35,867,060	33,609,882
CHANGE IN NET POSITION	(2,922,857)	3,168,656
NET POSITION:		
Beginning of year	4,446,348	1,277,692
End of year	\$ 1,523,491	\$ 4,446,348

See accompanying notes.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 - Summary of Significant Accounting Policies:

The financial statements of the State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees' Fund") have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) 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. A summary of the Retirees' Fund's significant accounting policies applied in the preparation of the accompanying financial statements is presented below.

Basis of Accounting:

The financial statements of the Retirees' Fund have been prepared using the accrual basis of accounting and the economic resources measurement focus. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Retirees' Fund does not receive member contributions.

Method Used to Value Investments:

Investments are reported at fair value, which for the Retirees' Fund is determined by the Retirement Benefits Investment Fund.

Plan Description and Contribution Information:

The State Retirees' Health and Welfare Benefits Fund was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees. The Retirees' Fund is a multiple employer cost sharing defined postemployment benefit plan run by the PEBP Board. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to PEBP which administers a group health and life insurance program.

Pursuant to NRS 287.023 and NRS 287.046, the following individuals and their dependents are eligible to receive benefits from the Retirees' Fund:

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

- Has at least five years of public service and who was initially hired by the state prior to January 1, 2010; or
- Has at least fifteen years of public service and who was initially hired by the state on or after January 1, 2010, but before January 1, 2012; or
- Has at least five years of public service, who has a disability and who was initially hired by the state on or after January 1, 2010, but before January 1, 2012; or

Any PEBP covered retiree with state services whose last employer was not the state or a participating local government entity and who has been continuously covered under PEBP as a retiree since November 30, 2008.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 - Summary of Significant Accounting Policies (continued):

Plan Description and Contribution Information (continued):

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

The money in the Retirees' Fund belongs to the officers, employees and retirees of the State of Nevada in aggregate; neither the State nor the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State, nor any single officer, employee or retiree of any such entity has any right to the money in the Retirees' Fund. Pursuant to NRS 287.0425, the Executive Officer reports information regarding the Retirees' Fund annually to the Department of Administration and the Nevada Legislature. The Retirees' Fund is governed by NRS 287.0436 through NRS 287.04364.

Contributions to the fund are paid by the State of Nevada through an assessment of actual payroll paid by each State entity. The assessment is set by the Department of Administration based on an amount provided by the Legislature each biennium in session law. The assessment was 2.406% and 2.690% of actual payroll for the years ending June 30, 2014 and 2013, respectively. Benefits are paid to the Public Employees' Benefits Program Self Insurance Trust Fund as necessary to offset retiree premiums pursuant to NRS 287.046. Funds not required to pay benefits are invested in the Retiree Benefits Investment Fund established pursuant to NRS 355.220 or are held in the State of Nevada General Portfolio pursuant to NRS 226.110 as approved in the Legislatively Approved Budget. Administrative costs of the Retirees' Fund are absorbed by the Self Insurance Trust Fund.

State active employee and retiree enrollment consisted of the following June 30, 2014 and 2013 respectively:

	<u>2014</u>	<u>2013</u>
Active Employees	23,790	23,410
Retirees	<u>9,277</u>	<u>8,839</u>
Total Enrollment	<u>33,067</u>	<u>32,249</u>
Number of pay centers	19	19

New Accounting Pronouncement

During the year ended June 30, 2013, the Fund adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which was issued to provide guidance for reporting financial statement elements which are distinct from assets and liabilities. The Statement also identifies net position as the residual of all other elements presented in the statement of financial position, thereby renaming this residual as net position rather than net assets.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 - Funding Status:

For financial reporting purposes, an actuarial valuation is required at least biennially for OPEB plans with a total membership of 200 or more as provided in GASB statement 45. The last valuation was for fiscal year ended June 30, 2014. The funded status as of the most recent actuarial valuation date is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2013	\$1,061	\$1,271,752	\$1,270,691	0.1%	\$1,374,462	92.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC), an amount that is actuarially determined in accordance with the parameters of the GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize the unfunded actuarial liabilities over a period of thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2013
For year ending	June 30, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Investment rate of return*	4%

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2 - Funding Status (continued):

Assumed Trends									
Year Beginning	Self-Funded		HMOs	Dental	Admin Costs	CDHP HRA Account	HRA Exchange Account	Part B Premiums	State Subsidy
	Medical	Pharmacy							
7/1/2014	8.00%	8.00%	8.00%	4.00%	2.50%	0.00%	0.00%	5.00%	8.00%
7/1/2015	7.50%	7.50%	7.50%	4.00%	2.50%	0.00%	0.00%	5.00%	7.50%
7/1/2016	7.00%	7.00%	7.00%	4.00%	2.50%	0.00%	0.00%	5.00%	7.00%
7/1/2017	6.50%	6.50%	6.50%	4.00%	2.50%	0.00%	0.00%	5.00%	6.50%
7/1/2018	6.00%	6.00%	6.00%	4.00%	2.50%	0.00%	0.00%	5.00%	6.00%
7/1/2019	5.75%	5.75%	5.75%	4.00%	2.50%	0.00%	0.00%	5.00%	5.75%
7/1/2020	5.50%	5.50%	5.50%	4.00%	2.50%	0.00%	0.00%	5.00%	5.50%
7/1/2021	5.25%	5.25%	5.25%	4.00%	2.50%	0.00%	0.00%	5.00%	5.25%
7/1/2022 and beyond	5.00%	5.00%	5.00%	4.00%	2.50%	0.00%	0.00%	5.00%	5.00%

* The investment rate of return is based on the historical rate of return for State of Nevada General Fund money held by the State Treasurer. No additional investments or withdrawals from the Retirees' Benefits Investment Fund occurred during the years ending June 30, 2014 or June 30, 2013.

NOTE 3 - Cash and Deposits with the State Treasurer as of June 30:

	<u>2014</u>	<u>2013</u>
Cash:		
Deposits with State Treasurer:		
State Treasurer's Investment Pool	\$ 1,817,031	\$ 3,825,632
GASB 31 adjustment	<u>(29,412)</u>	<u>(77,001)</u>
Total Cash and Deposits	<u>\$ 1,787,619</u>	<u>\$ 3,748,631</u>

The Nevada Revised Statutes direct the Office of the State Treasurer to deposit funds into any state, or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledge collateral for all public deposits.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3 - Cash and Deposits with the State Treasurer as of June 30 (continued):

NRS 355.140 details the types of securities in which the State may invest. In general, authorized investments include: certificates of deposit, asset-backed securities, bankers' acceptances and commercial paper, collateralized mortgage obligations, corporate notes, money market funds whose policies meet the criteria set forth in the statute, United States treasury securities and specific securities implicitly guaranteed by the federal government. Additionally, the State may invest in limited types of repurchase agreements; however, statutes generally prohibit the State from entering into reverse-repurchase agreements.

A copy of the State of Nevada Comprehensive Annual Financial Report can be obtained online at http://controller.nv.gov/FinancialReports/CAFR_Download_Page.html.

NOTE 4 – Interfund Balances:

Interfund balances at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Due to fiduciary fund from:		
General funds	\$ 122,024	\$ 122,616
Internal service funds	5,575	6,173
Total due to fiduciary fund from other funds	<u>\$ 127,599</u>	<u>\$ 128,789</u>
Due to fiduciary fund from:		
All others	\$ 1,330,987	\$ 1,350,696
Total due to fiduciary fund from component units	<u>\$ 1,330,987</u>	<u>\$ 1,350,696</u>
Due from fiduciary fund:		
Internal service funds	\$ 2,997,009	\$ 2,735,621
Total due to internal service funds from fiduciary fund	<u>\$ 2,997,009</u>	<u>\$ 2,735,621</u>

These balances resulted from the time lag between the dates that (1) interfund contributions are provided or benefit payments occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 5 - Retirement Benefits Investment Fund:

The Nevada Legislature established the Retirement Benefits Investment Fund (RBIF) with an effective date of July 1, 2007. The purpose of the Fund is to invest contributions made by participating public entities, as defined NRS 355.220 to enable such entities to support financing of other post employment benefits at some time in the future. Per NRS 355.220(2) monies received by the RBIF from participating entities are held for investment purposes only and not in any fiduciary capacity. Each participating entity acts as fiduciary for its particular share of the Fund. NRS 355.220(2) requires that any

STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 - Retirement Benefits Investment Fund (continued):

money in the Fund must be invested in the same manner as money in the Public Employees' Retirement System of Nevada (PERS) Investment Fund is invested. The PERS Investment Fund is governed primarily by the "prudent person" standard as set forth in NRS 286.682, which authorizes the Retirement Board to invest PERS' funds in "every kind of investment which persons of prudence, discretion and intelligence acquire or retain for their own account." PERS has established limits on the concentration of investments in any single issuer or class of issuer or managed by a single investment firm. In general, the authorized investments include: fixed income, both US comingled and non-US comingled; domestic, international and comingled equity; money market funds; and short-term investments.

The RBIF is designed to value participants' shares in the Fund according to the contributions of each entity, and accordingly, earnings (including realized and unrealized gains and losses, interest, and other income) and expenses are allocated to each entity in proportion to the participant's share in the Fund. The financial statements of the RBIF were audited in accordance with auditing standards generally accepted in the United States of America and can be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

NOTE 6 – Subsequent Events:

Management has evaluated subsequent events through October 30, 2014, the date which the financial statements were available to be issued.

**STATE OF NEVADA
STATE RETIREES' HEALTH & WELFARE
BENEFITS FUND
PUBLIC EMPLOYEES' BENEFITS PROGRAM
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

**Schedule of Funding Progress
(Dollar amounts in thousands)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ([(b - a) / c]</u>
7/1/2010	\$24,895	\$977,045	\$947,150	3.1%	\$1,398,963	67.7%
7/1/2012	\$1,278	\$1,182,766	\$1,181,488	0.1%	\$1,414,681	83.5%
7/1/2013	\$1,061	\$1,271,752	\$1,270,691	0.1%	\$1,374,462	92.5%

**Schedule of Employer Contributions
(Dollar amounts in thousands)**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Annual OPEB Cost (d)</u>	<u>Claims Paid (e)</u>	<u>Funds Invested (f)</u>	<u>Percentage Contributed ([(e + f) / d]</u>
2011	\$119,959	\$109,802	\$47,209	\$0	43.0%
2013	\$142,455	\$130,049	\$50,368	\$0	38.7%
2014	\$140,846	\$127,019	\$53,237	\$0	41.9%

A copy of the actuarial valuation for the year ended June 30, 2014 may be obtained online at <http://www.pebp.state.nv.us/fiscalutilization.htm>.

Casey, Neilon & Associates, LLC
Accountants and Advisors

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of the
Public Employees' Benefits Program

We have audited, in accordance with the auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State Retirees' Health & Welfare Benefits Fund, Public Employees' Benefits Program of the State of Nevada as of, and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise State Retiree's Health & Welfare Benefits Fund, Public Employees' Benefits Program basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Casey, Nalor + Associates, LLC

Carson City, Nevada
October 30, 2014