

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2014
(Unaudited)

KIM R. WALLIN, CMA, CFM, CPA
STATE CONTROLLER
CARSON CITY, NEVADA



**OFFICE OF THE
STATE CONTROLLER**

May 28, 2014

The Honorable Brian Sandoval
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Sandoval:

Pursuant to NRS 387.013, I am pleased to provide you with the financial statements of the Permanent School Fund for the quarter ended March 31, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Kim R. Wallin".

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW: ceb

Office of the Governor (1)
State Board of Education (2)
Department of Administration (2)
Department of Education (1)
Nevada Tax Commission (1)
Division of State Lands (1)
State Library and Archives (12)

State Capitol
101 N. Carson Street, Suite 5
Carson City, Nevada 89701-4786
(775) 684-5750
Fax (775) 684-5696

www.controller.nv.gov

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 4300
Las Vegas, Nevada 89101-1071
(702) 486-3895
Fax (702) 486-3896

STATE OF NEVADA
PERMANENT SCHOOL FUND

Table of Contents

	<u>Page</u>
Balance Sheets - Exhibit A	1
Statements of Revenues, Expenditures, and Changes in Fund Balances - Exhibit B	2
Notes to the Financial Statements	3
Schedule of Investments - Schedule 1	5
Schedule of Justice Court Fines by County - Schedule 2	6
Schedule of District Court Fines by County - Schedule 3	7

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2014 and 2013
(Unaudited)

Exhibit A

Assets	03/31/2014	03/31/2013
Cash and cash equivalents	\$ 32,388,430	\$ 111,279,911
Accrued interest		
Investments	761,636	663,607
Treasurer	-	1,649
Total accrued interest	<u>761,636</u>	<u>665,256</u>
Receivables		
Land sales	249,909	73,781
Fines and penalties	361,401	387,191
Purchased interest	156,136	94,010
Total receivables	<u>767,446</u>	<u>554,982</u>
Investments		
U.S. Government securities	<u>287,055,917</u>	<u>205,466,816</u>
Other Assets		
Due from Component Unit (NCIC)	<u>4,814,634</u>	<u>2,369,887</u>
Total Assets	<u>\$ 325,788,063</u>	<u>\$ 320,336,852</u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 1,866,704	\$ 1,600,602
Due to heirs	1,376,880	1,644,704
Due to other funds	-	-
Total liabilities	<u>3,243,584</u>	<u>3,245,306</u>
 Fund balances		
Nonspendable: Permanent Fund Principal	<u>322,544,479</u>	<u>317,091,546</u>
Total Liabilities and Fund Balances	<u>\$ 325,788,063</u>	<u>\$ 320,336,852</u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA
PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation:

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

Cash and Cash Equivalents:

Cash and Cash Equivalents consist of cash with treasurer and investments that mature within three months of acquisition and are readily convertible to known amounts of cash.

Treasurer's Interest Accrual:

Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its pro rata share of average daily cash balances. There is no Treasurer's Interest accrual recorded for the quarter ended March 31, 2014.

Investments:

Investments in U.S. Government Securities are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fund Balance:

Non-spendable fund balance cannot be spent, and represents the permanent fund principal which must remain in the fund in perpetuity under the State Constitution.

Revenues:

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The following illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)

**STATE OF NEVADA
PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues: (continued)

- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

Note 2 – COMMITMENTS AND CONTINGENCIES:

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$40 million. Bond guarantees at March 31, 2014 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$43,615,000	\$35,205,000
Churchill	39,675,000	32,805,000
Douglas	36,000,000	35,335,000
Humboldt	2,950,000	2,630,000
Lincoln	5,759,300	5,397,900
Lyon	47,665,000	37,800,000
Mineral	2,825,000	1,915,000
Nye	43,885,000	39,670,000
Pershing	5,000,000	4,775,000
Storey	11,425,000	8,960,000
White Pine	3,890,000	2,555,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
March 31, 2014

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Amortized Cost*</u>	<u>Fair Value</u>
U.S. Government Securities					
Fed. Farm Credit Bank	5.875	10/03/16	\$ 8,000,000	\$ 8,143,115	\$ 9,000,080
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,047,565	10,127,200
Fed. Farm Credit Bank	1.000	12/09/15	6,420,000	6,474,922	6,488,437
Fed. Home Loan Bank Coupon Note	4.750	12/12/14	7,000,000	7,012,236	7,221,340
Fed. Home Loan Bank Coupon Note	0.120	08/25/14	17,000,000	16,997,808	17,003,060
Fed. Home Loan Bank Coupon Note	0.125	11/04/14	13,000,000	12,996,308	13,000,130
Federal Home Loan Bank Callable	0.400	12/24/15	7,500,000	7,482,716	7,492,125
U.S. Treasury Note	0.250	08/15/15	20,000,000	19,937,776	20,016,400
U.S. Treasury Note	0.250	10/15/15	25,225,000	25,126,231	25,223,991
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,263,218	15,276,703
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,176,407	14,205,538
U.S. Treasury Note	2.375	02/28/15	4,790,000	4,881,967	4,887,285
U.S. Treasury Note	0.250	06/30/14	13,195,000	13,198,765	13,201,202
U.S. Treasury Note	1.250	10/31/15	39,000,000	39,537,225	39,603,330
U.S. Treasury Note	0.250	02/28/15	10,000,000	10,004,709	10,010,200
U.S. Treasury Note	0.250	05/15/15	10,000,000	10,000,949	10,010,900
U.S. Treasury Note	0.125	07/31/14	3,000,000	3,000,532	3,000,570
U.S. Treasury Note	2.375	02/28/15	3,800,000	3,877,466	3,877,178
U.S. Treasury Note	2.125	05/31/15	10,500,000	10,738,934	10,738,665
U.S. Treasury Note	2.625	02/29/16	9,450,000	9,860,469	9,851,625
U.S. Treasury Note	1.750	05/31/16	16,000,000	16,452,085	16,424,960
U.S. Treasury Note	2.375	02/28/15	1,950,000	1,989,624	1,989,604
U.S. Treasury Note	0.250	05/15/16	4,000,000	3,977,644	3,979,080
U.S. Treasury Note	1.000	08/31/16	5,000,000	5,040,008	5,044,150
U.S. Treasury Note	0.875	11/30/16	9,350,000	9,372,892	9,382,164
Total U.S. Government Securities			<u>\$ 283,340,000</u>	<u>\$ 285,591,571</u>	<u>\$ 287,055,917</u>
Cash and Cash Equivalents					
Wells Fargo Advantage Govt. MM Fund	0.010		N/A	\$ 21,087,318	\$ 21,087,318
Pooled Cash with State Treasurer			N/A	11,301,112	11,301,112
Total Cash and Cash Equivalents			<u>\$ -</u>	<u>\$ 32,388,430</u>	<u>\$ 32,388,430</u>

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and nine months ended March 31, 2014

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2014	Nine Months Ending 3/31/2014
Carson City	\$ 6,398	\$ 16,593
Churchill	14,867	36,533
Clark	424,858	1,270,319
Douglas	5,341	14,079
Elko	48,001	148,046
Esmeralda	8,927	42,568
Eureka	190	1,479
Lander	1,259	3,183
Lincoln	1,815	5,465
Lyon	20,231	64,492
Mineral	-	203
Nye	87,332	236,740
Pershing	195	1,118
Washoe	242,907	678,171
White Pine	3,170	10,165
Total	\$ 865,491	\$ 2,529,154

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and nine months ended March 31, 2014

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2014	Nine Months Ended 3/31/2014
Carson City	\$ 3,639	\$ 10,430
Churchill	1,650	10,041
Clark	76,271	165,974
Douglas	8,283	17,201
Elko	21,203	57,419
Esmeralda	13	13
Humboldt	4,693	20,180
Lander	300	1,385
Lincoln	1,125	3,490
Lyon	912	3,334
Mineral	20	67
Nye	1,790	4,725
Pershing	1,370	2,370
Washoe	32,246	102,798
White Pine	2,860	7,107
Total	\$ 156,375	\$ 406,534