

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2016
(Unaudited)

RON KNECHT, MS, JD, PE (CA)
STATE CONTROLLER
CARSON CITY, NEVADA

RON KNECHT,
MS, JD, PE (CA)
State Controller

STATE OF NEVADA



JAMES W. SMACK
Chief Deputy Controller

GEOFFREY LAWRENCE
Assistant Controller

**OFFICE OF THE
STATE CONTROLLER**

February 10, 2017

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 September 30, 2016.

Sincerely,

A handwritten signature in cursive script that reads "Ronald L. Knecht".

Ronald L. Knecht, MS, JD, PE (CA)
State Controller

RK: pc

Office of the Governor (1)
State Board of Education (2)
Governor's Office of Finance (2)
Nevada State Treasurer (1)
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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
September 30, 2016 and 2015
(Unaudited)

Exhibit A

Assets	<u>9/30/2016</u>	<u>9/30/2015</u>
Cash and cash equivalents	\$ 104,842,900	\$ 89,496,902
Accrued interest		
Investments	583,203	956,944
Treasurer	45,850	20,148
Total accrued interest	<u>629,053</u>	<u>977,092</u>
Receivables		
Land sales	343,451	45,555
Fines and penalties	299,748	371,453
Total receivables	<u>643,199</u>	<u>417,008</u>
Investments		
Fixed income securities	192,587,920	214,140,008
Equity securities	10,880,681	9,606,733
Total investments	<u>203,468,601</u>	<u>223,746,741</u>
Other Assets		
Due from component unit (NCIC)	35,146,409	21,280,117
Total Assets	<u>\$ 344,730,162</u>	<u>\$ 335,917,860</u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 1,990,991	\$ 1,071,836
Due to heirs	407,946	241,396
Total liabilities	<u>2,398,937</u>	<u>1,313,232</u>
 Fund Balances		
Nonspendable: permanent fund principal	<u>342,331,225</u>	<u>334,604,628</u>
Total Liabilities and Fund Balances	<u>\$ 344,730,162</u>	<u>\$ 335,917,860</u>

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

STATE OF NEVADA
PERMANENT SCHOOL FUND

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES**

For the quarter ended September 30, 2016 and 2015
(Unaudited)

	Quarter Ended 9/30/2016	Exhibit B Quarter Ended 9/30/2015
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 722,940	\$ 699,285
District Courts	148,046	143,024
Other fines and penalties	9,220	99,940
Total fines	880,206	942,249
Investment income (loss)	702,643	902,656
Land sales	343,451	45,555
Escheated estates	(16,565)	74,789
Miscellaneous	1,304	4,577
Total revenues	1,911,039	1,969,826
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(702,523)	(987,004)
Net change in fund balances	1,208,516	982,822
Fund balances, beginning of period	341,122,709	333,621,806
Fund balances, end of period	<u>\$ 342,331,225</u>	<u>\$ 334,604,628</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 SEPTEMBER 30, 2016**

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. For the quarter ended September 30, 2016, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$24,204,569, and funds held by the State Treasurer earned interest at an effective rate of 0.76 percent.

Investments:

Investments 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 SEPTEMBER 30, 2016**

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 September 30, 2016 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$45,170,000	\$28,475,000
Churchill	43,370,000	37,405,000
Douglas	36,000,000	32,810,000
Humboldt	2,950,000	2,270,000
Lincoln	5,759,300	4,846,200
Lyon	41,060,000	37,430,000
Mineral	2,825,000	495,000
Nye	44,185,000	36,380,000
Pershing	5,000,000	4,125,000
Storey	10,470,300	8,148,600
Washoe	40,000,000	40,000,000
White Pine	10,890,000	8,095,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2016

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Fixed Income Securities					
Farmer Mac	0.920	06/30/17	\$ 29,000,000	\$ 29,000,000	\$ 29,066,700
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,000,312	8,000,000
Fed. Home Loan Bank	1.125	12/08/17	29,000,000	29,032,897	29,132,530
U.S. Treasury Note	1.375	06/30/18	29,000,000	29,137,753	29,303,630
U.S. Treasury Note	3.125	01/31/17	4,000,000	4,031,162	4,036,520
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	20,000,000	20,000,000	20,035,600
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	18,000,000	18,000,000	18,032,040
Fed. Home Loan Bank Discount Note	0.305	10/03/16	25,000,000	24,999,576	25,000,000
Fed. Home Loan Bank Discount Note	0.360	01/09/17	20,000,000	19,980,000	19,985,400
Fed. Home Loan Bank Discount Note	0.333	12/07/16	10,000,000	9,993,861	9,995,500
Total Fixed Income Securities			<u>\$ 192,000,000</u>	<u>\$ 192,175,561</u>	<u>\$ 192,587,920</u>
Cash and Cash Equivalents					
Fed. Home Loan Bank Discount Note	0.305	10/25/16	25,000,000	24,994,917	24,997,000
Fed. Home Loan Bank Discount Note	0.330	11/29/16	20,000,000	19,989,183	19,993,000
Morgan Stanley Global Liquid	0.040	N/A	N/A	35,703,858	35,703,858
Pooled Cash with State Treasurer	N/A	N/A	N/A	24,149,042	24,149,042
Total Cash and Cash Equivalents			<u>\$ 45,000,000</u>	<u>\$ 104,837,000</u>	<u>\$ 104,842,900</u>
Equity Securities					
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 7,900,000	\$ 8,582,342
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	1,400,000	1,511,038
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	700,000	787,301
Total Equity Securities				<u>\$ 10,000,000</u>	<u>\$ 10,880,681</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 35,146,409</u>	N/A

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the quarter ended September 30, 2016 and 2015

County	Schedule 2	
	Quarter Ended 9/30/2016	Quarter Ended 9/30/2015
Carson City	\$ 1,789	\$ 7,379
Churchill	10,247	11,518
Clark	321,616	307,362
Douglas	900	2,654
Elko	27,126	31,196
Esmeralda	10,526	29,032
Eureka	875	1,555
Lander	220	1,426
Lincoln	900	835
Lyon	12,559	15,170
Mineral	6,138	248
Nye	82,065	78,080
Pershing	335	920
Washoe	244,330	206,560
White Pine	3,314	5,350
Total	\$ 722,940	\$ 699,285

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter ended September 30, 2016 and 2015

County	<u>Schedule 3</u>	
	Quarter Ended 9/30/2016	Quarter Ended 9/30/2015
Carson City	\$ 1,982	\$ 1,708
Churchill	7,398	6,674
Clark	69,779	83,164
Douglas	2,525	5,332
Elko	9,599	7,503
Esmeralda	-	50
Humboldt	2,049	2,912
Lander	5,615	-
Lincoln	1,125	150
Lyon	9,310	995
Nye	6,057	1,150
Pershing	8,750	1,238
Washoe	23,246	30,453
White Pine	611	1,695
Total	<u><u>\$ 148,046</u></u>	<u><u>\$ 143,024</u></u>