

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2017
(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



**OFFICE OF THE
STATE CONTROLLER**

March 6, 2018

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 December 31, 2017.

Sincerely,

A handwritten signature in black ink that reads "Ronald L. Knecht".

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

RK: ss

Office of the Governor (1)
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
December 31, 2017 and 2016
(Unaudited)

Exhibit A

Assets	<u>12/31/2017</u>	<u>12/31/2016</u>
Cash and cash equivalents	\$ 27,075,814	\$ 35,081,203
Accrued interest		
Investments	388,952	545,046
Treasurer	44,923	43,447
Total accrued interest	<u>433,875</u>	<u>588,493</u>
Receivables		
Land sales	192,226	4,320,247
Fines and penalties	291,041	296,539
Purchased interest	71,105	-
Total receivables	<u>554,372</u>	<u>4,616,786</u>
Investments		
Fixed income securities	210,223,296	264,051,720
Equity securities	94,252,990	11,311,417
Total investments	<u>304,476,286</u>	<u>275,363,137</u>
Other Assets		
Due from component unit (NCIC)	39,095,977	35,341,126
Total Assets	<u><u>\$ 371,636,324</u></u>	<u><u>\$ 350,990,745</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 14,275,948	\$ 3,164,373
Due to heirs	377,439	304,596
Total liabilities	<u>14,653,387</u>	<u>3,468,969</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>356,982,937</u>	<u>347,521,776</u>
Total Liabilities and Fund Balances	<u><u>\$ 371,636,324</u></u>	<u><u>\$ 350,990,745</u></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 and six months ended December 31, 2017
(Unaudited)

	Exhibit B	
Revenues	Quarter Ended 12/31/2017	Six Months Ended 12/31/2017
Fines - State Penal Laws		
Justice Courts	\$ 763,146	\$ 1,472,202
District Courts	190,175	373,930
Other fines and penalties	7,455	125,785
Total fines	960,776	1,971,917
Investment income (loss)	6,541,260	10,735,357
Land sales	192,226	4,246,075
Escheated estates	(10,463)	(38,522)
Miscellaneous	-	1,271
Total revenues	7,683,799	16,916,098
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(6,541,260)	(10,735,357)
Net change in fund balances	1,142,539	6,180,741
Fund balances, beginning of period	355,840,398	350,802,196
Fund balances, end of period	\$ 356,982,937	\$ 356,982,937

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 DECEMBER 31, 2017**

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 December 31, 2017, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,465,649, and funds held by the State Treasurer earned interest at an effective rate of 1.32 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 DECEMBER 31, 2017**

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 December 31, 2017 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$51,060,000	\$26,535,000
Churchill	43,370,000	35,605,000
Douglas	36,000,000	31,680,000
Humboldt	2,950,000	2,140,000
Lincoln	5,759,300	4,335,400
Lyon	58,960,000	37,635,000
Mineral	2,500,000	2,500,000
Nye	52,120,000	34,730,000
Pershing	4,725,000	3,890,000
Storey	11,220,300	7,644,500
Washoe	40,000,000	40,000,000
White Pine	<u>10,890,000</u>	<u>7,560,000</u>
 Total	 <u>\$319,554,600</u>	 <u>\$234,254,900</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
December 31, 2017

					<u>Schedule 1</u>
	<u>Stated</u>				
	<u>Interest</u>	<u>Maturity</u>	<u>Face</u>	<u>Amortized</u>	<u>Fair</u>
	<u>Rate</u>	<u>Date</u>	<u>Amount</u>	<u>Cost*</u>	<u>Value</u>
Fixed Income Securities					
Fed. Home Loan Bank	1.125	06/05/18	\$ 9,600,000	\$ 9,597,065	\$ 9,581,856
Fed. Home Loan Bank	1.070	01/05/18	20,000,000	19,997,622	19,997,800
Fed. Home Loan Bank	1.140	01/26/18	25,000,000	24,980,208	24,978,500
Fed. Home Loan Bank	1.360	04/25/18	26,000,000	25,888,027	25,886,640
Fed. Home Loan Mtg. Corp	1.100	04/05/18	20,000,000	19,942,556	19,928,200
Fed. Home Loan Mtg. Corp	1.160	03/14/18	26,000,000	25,939,680	25,930,840
Fed. Home Loan Mtg. Corp	1.320	04/23/18	26,000,000	25,893,227	25,888,460
Fed. National Mtg. Assn.	1.285	03/23/18	3,000,000	2,991,326	2,991,000
U.S. Treasury Notes	2.750	02/28/18	26,000,000	26,067,053	26,057,980
U.S. Treasury Notes	1.375	06/30/18	29,000,000	29,038,925	28,982,020
			<u>\$ 210,600,000</u>	<u>\$ 210,335,689</u>	<u>\$ 210,223,296</u>
Total Fixed Income Securities					
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	N/A	N/A	N/A	\$ 16,397,421	\$ 16,397,421
Invesco	1.180	N/A	N/A	3,685,953	3,685,953
Fed. Home Loan Bank	1.240	01/17/18	4,000,000	3,997,795	3,997,840
Fed. Home Loan Bank	1.280	02/20/18	3,000,000	2,994,667	2,994,600
				<u>\$ 27,075,836</u>	<u>\$ 27,075,814</u>
Total Cash and Cash Equivalents					
Equity Securities					
Vanguard Inst Index Fund Inst Plus	N/A	N/A	N/A	\$ 65,577,735	\$ 74,750,486
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	11,552,000	12,973,163
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	5,776,000	6,529,341
				<u>\$ 82,905,735</u>	<u>\$ 94,252,990</u>
Total Equity Securities					
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 39,095,977</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 and six months ended December 31, 2017

County	Schedule 2	
	Quarter Ended 12/31/2017	Six Months Ended 12/31/2017
Carson City	\$ 4,519	\$ 8,052
Churchill	13,795	24,762
Clark	343,535	673,725
Douglas	1,226	2,468
Elko	32,403	78,369
Esmeralda	30,337	49,578
Eureka	6,555	6,950
Lander	43	68
Lincoln	580	945
Lyon	11,896	23,753
Mineral	1,228	1,403
Nye	93,823	174,537
Pershing	320	796
Washoe	220,366	419,336
White Pine	2,520	7,460
Total	\$ 763,146	\$ 1,472,202

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and six months ended December 31, 2017

County	Schedule 3	
	Quarter Ended 12/31/2017	Six Months Ended 12/31/2017
Carson City	\$ 8,390	\$ 13,569
Churchill	5,625	8,166
Clark	79,641	169,321
Douglas	3,318	13,490
Elko	20,171	34,357
Esmeralda	-	1,000
Humboldt	4,357	7,439
Lander	110	1,270
Lincoln	275	2,375
Lyon	2,488	7,229
Mineral	415	2,883
Nye	4,152	8,402
Pershing	22,633	31,358
Washoe	37,542	67,217
White Pine	1,058	5,854
Total	\$ 190,175	\$ 373,930