

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 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**

September 29, 2016

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 June 30, 2016.

Sincerely,

A handwritten signature in blue ink 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

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
June 30, 2016 and 2015
(Unaudited)

Exhibit A

Assets	<u>6/30/2016</u>	<u>6/30/2015</u>
Cash and cash equivalents	\$ 118,832,745	\$ 75,825,753
Accrued interest		
Investments	327,030	733,335
Treasurer	34,969	18,174
Total accrued interest	<u>361,999</u>	<u>751,509</u>
Receivables		
Land sales	839,329	2,433,269
Fines and penalties	297,073	301,908
Purchased interest	-	850
Total receivables	<u>1,136,402</u>	<u>2,736,027</u>
Investments		
Fixed income securities	179,022,280	235,402,579
Equity securities	10,501,112	-
Total investments	<u>189,523,392</u>	<u>235,402,579</u>
Other Assets		
Due from component unit (NCIC)	34,571,792	20,496,002
Total Assets	<u><u>\$ 344,426,330</u></u>	<u><u>\$ 335,211,870</u></u>
Liabilities		
Accounts payable	\$ -	\$ 5,281
Due to (from) the Distributive School Account	2,840,217	1,278,439
Due to heirs	463,404	306,344
Total liabilities	<u>3,303,621</u>	<u>1,590,064</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>341,122,709</u>	<u>333,621,806</u>
Total Liabilities and Fund Balances	<u><u>\$ 344,426,330</u></u>	<u><u>\$ 335,211,870</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 the year ended June 30, 2016
(Unaudited)

	Quarter Ended 6/30/2016	Exhibit B Year Ended 6/30/2016
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 769,716	\$ 2,898,627
District Courts	178,894	655,479
Other fines and penalties	13,770	172,258
Total fines	962,380	3,726,364
Investment income (loss)	1,025,904	4,050,536
Land sales	2,364,855	3,564,422
Escheated estates	186,415	199,042
Miscellaneous	4,598	10,420
Total revenues	4,544,152	11,550,784
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(1,025,249)	(4,049,881)
Net change in fund balances	3,518,903	7,500,903
Fund balances, beginning of period	337,603,806	333,621,806
Fund balances, end of period	\$ 341,122,709	\$ 341,122,709

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 JUNE 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 June 30, 2016, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$22,951,308. For the quarter ended June 30, 2016, funds held by the State Treasurer earned interest at an effective rate of 0.62 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 JUNE 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 June 30, 2016 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,610,000	\$24,975,000
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
June 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	\$ 29,084,970
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,014,597	8,110,640
Fed. Home Loan Bank	1.125	12/08/17	29,000,000	29,039,850	29,198,650
U.S. Treasury Note	1.375	06/30/18	29,000,000	29,157,648	29,440,800
U.S. Treasury Note	3.125	01/31/17	4,000,000	4,054,661	4,062,520
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	20,000,000	20,000,000	20,073,000
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	18,000,000	18,000,000	18,065,700
Fed. Home Loan Bank Discount Note	0.580	07/22/16	1,000,000	999,662	999,900
Fed. Home Loan Bank Discount Note	0.370	07/29/16	10,000,000	9,997,122	9,998,700
Fed. Home Loan Bank Discount Note	0.460	08/31/16	30,000,000	29,976,617	29,987,400
Total Fixed Income Securities			<u>\$ 178,000,000</u>	<u>\$ 178,240,157</u>	<u>\$ 179,022,280</u>
Cash and Cash Equivalents					
Fed. Home Loan Bank Discount Note	0.320	08/01/16	33,000,000	32,990,907	32,993,070
Fed. Home Loan Bank Discount Note	0.325	07/26/16	25,000,000	24,993,680	24,996,750
Morgan Stanley Global Liquid	0.040	N/A	N/A	36,823,243	36,823,243
Pooled Cash with State Treasurer	N/A	N/A	N/A	24,019,682	24,019,682
Total Cash and Cash Equivalents			<u>\$ 58,000,000</u>	<u>\$ 118,827,512</u>	<u>\$ 118,832,745</u>
Equity Securities					
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 7,900,000	\$ 8,308,539
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	1,400,000	1,458,097
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	700,000	734,476
Total Equity Securities				<u>\$ 10,000,000</u>	<u>\$ 10,501,112</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 34,571,792</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 the year ended June 30, 2016

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2016	Year Ended 6/30/2016
Carson City	\$ 3,444	\$ 19,321
Churchill	14,329	54,532
Clark	303,255	1,257,484
Douglas	3,364	10,147
Elko	23,045	136,179
Esmeralda	11,411	72,085
Eureka	550	2,975
Lander	320	2,066
Lincoln	400	2,435
Lyon	12,936	59,163
Mineral	-	501
Nye	88,505	363,836
Pershing	370	1,715
Washoe	304,187	903,751
White Pine	3,600	12,437
Total	\$ 769,716	\$ 2,898,627

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

County	Quarter Ended 6/30/2016	Schedule 3 Year Ended 6/30/2016
Carson City	\$ 2,003	\$ 10,898
Churchill	9,993	26,827
Clark	84,381	350,746
Douglas	6,949	19,570
Elko	9,976	57,839
Esmeralda	-	50
Humboldt	785	10,741
Lincoln	825	2,425
Lyon	-	1,426
Nye	5,834	12,751
Pershing	20,225	22,363
Washoe	36,765	135,819
White Pine	1,158	4,024
Total	\$ 178,894	\$ 655,479