

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED DECEMBER 31, 2014  
(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**

February 27, 2015

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, 2014.

Sincerely,

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

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

RK: ceb

Office of the Governor (1)  
State Board of Education (2)  
Department of Administration (2)  
Nevada State Treasurer (1)  
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](http://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**  
December 31, 2014 and 2013  
(Unaudited)

Exhibit A

<b>Assets</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
Cash and cash equivalents	\$ 56,793,610	\$ 62,472,153
Accrued interest		
Investments	644,026	434,817
Treasurer	21,815	11,548
Total accrued interest	665,841	446,365
Receivables		
Land sales	990,814	468,327
Fines and penalties	272,177	323,528
Purchased interest	-	11,481
Total receivables	1,262,991	803,336
Investments		
U.S. Government securities	259,144,698	256,958,161
Other Assets		
Due from Component Unit (NCIC)	13,172,870	4,304,686
<b>Total Assets</b>	<b>\$ 331,040,010</b>	<b>\$ 324,984,701</b>
<b>Liabilities</b>		
Due to (from) the Distributive School Account	\$ 1,905,989	\$ 2,428,790
Due to heirs	255,689	1,418,284
Total liabilities	2,161,678	3,847,074
<b>Fund balances</b>		
Nonspendable: Permanent Fund Principal	328,878,332	321,137,627
<b>Total Liabilities and Fund Balances</b>	<b>\$ 331,040,010</b>	<b>\$ 324,984,701</b>

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, 2014  
(Unaudited)

	<b>Quarter Ended 12/31/2014</b>	<u>Exhibit B</u> <b>Six Months Ended 12/31/2014</b>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 771,674	\$ 1,729,711
District Courts	156,407	283,533
Other Fines and Penalties	85,220	87,970
Total fines	1,013,301	2,101,214
Investment income (loss)	179,285	410,839
Land sales	1,380,391	2,188,932
Escheated estates	3,211	3,306
Miscellaneous	5,508	8,364
Total revenues	2,581,696	4,712,655
<b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	(179,285)	(410,839)
Net change in fund balances	2,402,411	4,301,816
Fund balances, beginning of period	326,475,921	324,576,516
Fund balances, end of period	\$ 328,878,332	\$ 328,878,332

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, 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. For the quarter ended December 31, 2014, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$14,644,236. For the quarter ended December 31, 2014, funds held by the State Treasurer earned interest at an effective rate of 0.5959 percent.

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 DECEMBER 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 December 31, 2014 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$41,500,000	\$34,070,000
Churchill	43,370,000	40,000,000
Douglas	36,000,000	34,805,000
Humboldt	2,950,000	2,515,000
Lincoln	5,759,300	5,205,600
Lyon	47,240,000	35,450,000
Mineral	2,825,000	1,450,000
Nye	43,885,000	39,180,000
Pershing	5,000,000	4,565,000
Storey	11,425,000	8,960,000
Washoe	40,000,000	40,000,000
White Pine	10,890,000	9,085,000

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENTS**  
December 31, 2014

Schedule 1

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Amortized Cost*</b>	<b>Fair Value</b>
<b>U.S. Government Securities</b>					
Fed. Farm Credit Bank	1.000	12/09/15	\$ 6,420,000	\$ 6,450,532	\$ 6,463,977
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,029,653	10,080,600
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,100,276	8,709,680
Fed. Home Loan Bank Coupon Note	0.100	03/11/15	3,100,000	3,099,856	3,099,659
Fed. Home Loan Bank Discount Note	0.120	06/18/15	5,000,000	4,997,200	4,997,700
U.S. Treasury Note	2.375	02/28/15	4,790,000	4,806,018	4,807,196
U.S. Treasury Note	2.375	02/28/15	3,800,000	3,813,493	3,813,642
U.S. Treasury Note	2.375	02/28/15	1,950,000	1,956,901	1,957,000
U.S. Treasury Note	0.250	02/28/15	10,000,000	10,000,820	10,002,700
U.S. Treasury Note	0.250	05/15/15	10,000,000	10,000,311	10,007,000
U.S. Treasury Note	2.125	05/31/15	10,500,000	10,584,329	10,586,100
U.S. Treasury Note	0.250	08/15/15	20,000,000	19,971,931	20,007,800
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,188,603	14,207,810
U.S. Treasury Note	0.250	10/15/15	25,225,000	25,174,561	25,227,018
U.S. Treasury Note	1.250	10/31/15	39,000,000	39,281,625	39,313,950
U.S. Treasury Note	2.625	02/29/16	9,450,000	9,698,983	9,695,889
U.S. Treasury Note	0.375	03/31/16	5,000,000	5,000,305	4,999,200
U.S. Treasury Note	0.250	05/15/16	4,000,000	3,985,577	3,991,560
U.S. Treasury Note	1.750	05/31/16	16,000,000	16,294,913	16,291,200
U.S. Treasury Note	3.250	06/30/16	5,000,000	5,204,896	5,203,900
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,165,348	15,189,038
U.S. Treasury Note	1.000	08/31/16	5,000,000	5,027,548	5,037,500
U.S. Treasury Note	1.000	09/30/16	8,000,000	8,053,980	8,058,720
U.S. Treasury Note	0.875	11/30/16	9,350,000	9,366,429	9,390,953
U.S. Treasury Note	0.875	12/31/16	7,975,000	7,998,977	8,004,906
Total U.S. Government Securities			<u>\$ 256,720,000</u>	<u>\$ 258,253,065</u>	<u>\$ 259,144,698</u>
<b>Cash and Cash Equivalents</b>					
Fed. Home Loan Bank Discount Note	0.060	01/14/15	11,400,000	11,399,753	11,399,886
Fed. Home Loan Bank Discount Note	0.055	01/14/15	10,000,000	9,999,801	9,999,900
Wells Fargo Advantage Govt. MM Fund	0.010		N/A	20,205,022	20,205,022
Pooled Cash with State Treasurer			N/A	15,188,802	15,188,802
Total Cash and Cash Equivalents			<u>\$ 21,400,000</u>	<u>\$ 56,793,378</u>	<u>\$ 56,793,610</u>
<b>Private Equity Investments</b>					
Nevada Capital Investment Corporation			N/A	<u>13,172,870</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, 2014

	<u>Schedule 2</u>	
<b>County</b>	<b>Quarter Ended 12/31/2014</b>	<b>Six Months Ended 12/31/2014</b>
Carson City	\$ 4,665	\$ 9,125
Churchill	13,625	25,333
Clark	393,605	934,128
Douglas	1,381	6,167
Elko	32,691	81,798
Esmeralda	6,718	17,123
Eureka	855	1,780
Lander	443	1,070
Lincoln	1,285	5,300
Lyon	15,751	36,854
Mineral	30	30
Nye	82,376	176,609
Pershing	566	1,029
Washoe	213,948	425,385
White Pine	<u>3,735</u>	<u>7,980</u>
Total	<u>\$ 771,674</u>	<u>\$ 1,729,711</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**  
For the Quarter and six months ended December 31, 2014

	<u>Schedule 3</u>	
<b>County</b>	<b>Quarter Ended 12/31/2014</b>	<b>Six Months Ended 12/31/2014</b>
Carson City	\$ 4,377	\$ 11,201
Churchill	2,446	7,016
Clark	93,014	151,770
Douglas	850	4,118
Elko	13,487	28,939
Esmeralda	40	40
Eureka	-	25
Humboldt	1,497	3,667
Lander	380	1,035
Lincoln	10,550	10,795
Lyon	888	1,886
Mineral		-
Nye	1,060	3,676
Pershing	2,274	4,274
Washoe	22,984	48,841
White Pine	<u>2,560</u>	<u>6,250</u>
Total	<u>\$ 156,407</u>	<u>\$ 283,533</u>