

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2018
(Unaudited)

CATHERINE BYRNE, CPA
STATE CONTROLLER
CARSON CITY, NEVADA

CATHERINE BYRNE, CPA
Controller

STATE OF NEVADA

LORI HOOVER, CPA
Chief Deputy Controller



OFFICE OF THE
STATE CONTROLLER

March 27, 2019

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

Dear Governor Sisolak:

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, 2018.

Sincerely,

A handwritten signature in cursive script that reads "Catherine Byrne, CPA".

Catherine Byrne, CPA
State Controller

CB: ss

Office of the Governor (1)
Governor's Office of Finance (2)
Nevada State Treasurer (1)
Nevada Tax Commission (1)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET
December 31, 2018
(Unaudited)

Assets	<u>12/31/2018</u>
Cash and cash equivalents	\$ 31,215,954
Accrued interest	
Investments	6,646
Treasurer	<u>122,104</u>
Total accrued interest	<u>128,750</u>
Receivables	
Fines and penalties	<u>321,905</u>
Investments	
Fixed income securities	166,764,130
Equity securities	<u>138,250,261</u>
Total investments	<u>305,014,391</u>
Other Assets	
Due from component unit (NCIC)	<u>34,422,418</u>
Total Assets	<u><u>\$ 371,103,418</u></u>
Liabilities	
Due to (from) the Distributive School Account	\$ 2,972,473
Due to heirs	<u>449,154</u>
Total liabilities	<u>3,421,627</u>
Fund Balances	
Nonspendable: permanent fund principal	<u>367,681,791</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 371,103,418</u></u>

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

STATE OF NEVADA
PERMANENT SCHOOL FUND

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

For the Quarter Ended and Fiscal Year to Date as of December 31, 2018
(Unaudited)

Revenues	Quarter Ended	Fiscal Year to Date
	<u> </u>	<u> </u>
Fines - State Penal Laws		
Justice Courts	\$ 815,035	\$ 1,621,211
District Courts	144,837	291,095
Other fines and penalties	<u>(7,455)</u>	<u>-</u>
Total fines	952,417	1,912,306
Investment income (loss)	(22,374,163)	(11,144,852)
Land sales	-	3,566,640
Escheated estates	(76,097)	(51,835)
Gifts and donations	1,441,427	1,441,427
Miscellaneous	<u>-</u>	<u>4,525</u>
Total revenues	<u>(20,056,416)</u>	<u>(4,271,789)</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>22,374,163</u>	<u>11,144,852</u>
 Net change in fund balances	2,317,747	6,873,063
Fund balances, beginning of period	<u>365,364,044</u>	<u>360,808,728</u>
 Fund balances, end of period	<u>\$ 367,681,791</u>	<u>\$ 367,681,791</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 DECEMBER 31, 2018**

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, 2018, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$23,257,605 and funds held by the State Treasurer earned interest at an effective rate of 2.12 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, 2018**

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, 2018 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,560,000	\$11,950,000
Churchill	43,370,000	33,760,000
Douglas	33,625,000	30,515,000
Humboldt	2,950,000	2,005,000
Lincoln	5,759,300	4,014,800
Lyon	58,960,000	35,430,000
Mineral	2,500,000	2,500,000
Nye	37,120,000	32,980,000
Pershing	4,725,000	3,650,000
Storey	8,070,300	7,098,300
Washoe	40,000,000	40,000,000
White Pine	<u>7,000,000</u>	<u>7,000,000</u>
 Total	 <u>\$279,639,600</u>	 <u>\$210,903,100</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF CASH AND INVESTMENTS
December 31, 2018

	Interest Rate %	Maturity Date	Face Amount	Amortized Cost*	Fair Value
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	2.12			\$ 27,057,076	\$ 27,057,076
Invesco	2.30			4,158,878	4,158,878
Total Cash and Cash Equivalents				<u>\$ 31,215,954</u>	<u>\$ 31,215,954</u>
Fixed Income Securities					
Farmer Mac	2.49	06/28/2019	\$ 25,000,000	\$ 24,692,208	\$ 24,696,500
Fed. Home Loan Bank	2.14	01/22/2019	26,000,000	25,967,619	25,965,680
Fed. Home Loan Bank	2.40	04/29/2019	25,000,000	24,803,333	24,801,750
Fed. Home Loan Bank	2.44	05/20/2019	5,000,000	4,952,894	4,953,050
Fed. Home Loan Mtg. Corp	2.11	02/20/2019	26,000,000	25,923,806	25,914,980
Fed. Home Loan Mtg. Corp	2.24	03/20/2019	26,000,000	25,874,095	25,865,320
Fed. Home Loan Mtg. Corp	2.43	05/20/2019	10,000,000	9,906,175	9,906,100
Fed. Home Loan Mtg. Corp	2.52	07/18/2019	25,000,000	24,653,500	24,660,750
Total Fixed Income Securities			<u>\$ 168,000,000</u>	<u>\$ 166,773,630</u>	<u>\$ 166,764,130</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 110,729,431
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	18,204,405
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	9,316,425
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 138,250,261</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 34,422,418</u>	

* Values do not include purchased interest

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter Ended and Fiscal Year to Date as of December 31, 2018

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 7,770	\$ 14,840
Churchill	14,271	30,448
Clark	436,557	858,351
Douglas	2,461	3,580
Elko	24,232	56,206
Esmeralda	16,578	37,236
Eureka	1,560	2,760
Lincoln	1,315	1,315
Lyon	14,537	27,486
Mineral	13	413
Nye	103,235	170,124
Pershing	730	970
Washoe	189,601	414,052
White Pine	2,175	3,430
Total	<u>\$ 815,035</u>	<u>\$ 1,621,211</u>

STATE OF NEVADA
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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter Ended and Fiscal Year to Date as of December 31, 2018

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 22,198	\$ 26,752
Churchill	2,190	4,164
Clark	72,377	149,836
Douglas	3,798	5,830
Elko	11,075	17,280
Humboldt	1,196	7,397
Lander	502	1,572
Lincoln	375	525
Lyon	1,352	2,436
Mineral	312	3,431
Nye	800	5,424
Pershing	2,610	6,056
Washoe	24,912	54,929
White Pine	1,140	5,463
Total	<u>\$ 144,837</u>	<u>\$ 291,095</u>