

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

SECOND QUARTER
ENDED December 31, 2019



CATHERINE BYRNE, CPA
STATE CONTROLLER

CARSON CITY, NV

CATHERINE BYRNE, CPA
Controller

STATE OF NEVADA

LORI HOOVER, CPA
Chief Deputy Controller



**OFFICE OF THE
STATE CONTROLLER**

May 15, 2020

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, 2019.

Sincerely,

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

Catherine Byrne, CPA
State Controller

CB: dc

Office of the Governor (1)
Governor's Office of Finance (2)
Nevada State Treasurer (1)
Nevada Tax Commission (1)
Division of State Lands (1)
Department of Conservation (1)
State Library and Archives (12)

STATE OF NEVADA
PERMANENT SCHOOL FUND

Table of Contents

	<u>Page</u>
Balance Sheet	1
Statement of Revenues, Expenditures, and Changes in Fund Balances	2
Notes to the Financial Statements	3
Schedule of Cash and Investments	6
Schedule of Justice Court Fines by County	7
Schedule of District Court Fines by County	8

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET
December 31, 2019
(Unaudited)

Assets	12/31/2019
Cash and cash equivalents	\$ 26,648,353
Accrued interest	
Investments	360,591
Treasurer's Interest Distribution	78,577
Total accrued interest	439,168
Receivables	
Land sales	325,367
Fines and penalties	370,785
Purchased interest	8,499
Total receivables	704,651
Investments	
Fixed income securities	184,649,810
Equity securities	175,104,528
Total investments	359,754,338
Other Assets	
Due from component unit (NCIC)	26,391,870
Total Assets	\$ 413,938,380
Liabilities	
Due to (from) the Distributive School Account	\$ 41,512,696
Due to heirs	464,492
Total liabilities	41,977,188
Fund Balances	
Nonspendable: permanent fund principal	371,961,192
Total Liabilities and Fund Balances	\$ 413,938,380

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
For the Quarter Ended and Fiscal Year to Date as of December 31, 2019
(Unaudited)

Revenues	Quarter Ended	Fiscal Year to Date
	<hr/>	<hr/>
Fines - State Penal Laws		
Justice Courts	\$ 950,324	\$ 1,813,082
District Courts	110,403	228,097
Other fines and penalties	191,766	191,766
	<hr/>	<hr/>
Total fines	1,252,493	2,232,945
Investment income (loss)	15,894,800	19,173,504
Land sales	628,275	3,135,608
Escheated estates	3,437	13,933
Gifts and donations	-	-
Miscellaneous	-	3,755
	<hr/>	<hr/>
Total revenues	17,779,005	24,559,745
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(15,894,800)	(19,173,504)
	<hr/>	<hr/>
Net change in fund balances	1,884,205	5,386,241
	<hr/>	<hr/>
Fund balances, beginning of period	370,076,987	370,513,922
Fund balance restatement	-	(3,938,971)
	<hr/>	<hr/>
Fund balances, beginning of period (as restated)	370,076,987	366,574,951
	<hr/>	<hr/>
Fund balances, end of period	\$ 371,961,192	\$ 371,961,192
	<hr/>	<hr/>

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, 2019**

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, 2019, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$18,771,350 and funds held by the State Treasurer earned interest at an effective rate of 1.67 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, 2019**

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, 2019 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,560,000	\$10,370,000
Churchill	36,370,000	23,145,000
Douglas	30,125,000	16,110,000
Lincoln	5,759,300	3,683,400
Lyon	37,255,000	32,390,000
Mineral	2,500,000	2,303,000
Nye	21,850,000	15,900,000
Pershing	1,725,000	1,425,000
Storey	8,070,300	6,535,500
Washoe	40,000,000	40,000,000
White Pine	<u>7,000,000</u>	<u>6,645,000</u>
 Total	 <u>\$226,214,600</u>	 <u>\$158,506,900</u>

Note 3 – ACCOUNTING CHANGES AND RESTATEMENTS:

The beginning fund balance was restated by \$3,938,971 to correct an error, as identified by the Nevada Capital Investment Corporation, for earnings paid to the Permanent School Fund erroneously since 2013, and which overstated the Due from Component Unit.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF CASH AND INVESTMENTS
December 31, 2019

	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Amortized Cost*</u>	<u>Fair Value</u>
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	1.67			\$ 23,506,355	\$ 23,506,355
Invesco	1.51			3,141,998	3,141,998
Total Cash and Cash Equivalents				<u>\$ 26,648,353</u>	<u>\$ 26,648,353</u>
Fixed Income Securities					
FARMER MAC	2.05	01/02/2020	\$ 25,000,000	\$ 24,998,576	\$ 25,000,000
Federal Home Loan Bank	2.25	06/11/2021	11,000,000	11,086,026	11,096,470
Federal Home Loan Bank	1.64	04/15/2020	15,000,000	14,928,338	14,931,900
Federal Home Loan Bank	1.58	05/12/2020	12,000,000	11,930,480	11,931,480
US Treasury Notes	1.57	04/02/2020	25,000,000	24,900,014	24,900,750
US Treasury Notes	1.54	05/19/2020	25,000,000	24,851,347	24,849,500
US Treasury Notes	1.38	02/15/2020	25,000,000	24,980,929	24,991,250
US Treasury Notes	2.25	03/31/2020	25,000,000	25,025,896	25,035,250
US Treasury Notes	1.38	09/30/2020	11,000,000	10,964,271	10,977,670
US Treasury Notes	1.13	02/28/2021	11,000,000	10,921,820	10,935,540
Total Fixed Income Securities			<u>\$ 185,000,000</u>	<u>\$ 184,587,697</u>	<u>\$ 184,649,810</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 141,227,830
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	22,600,568
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	11,276,130
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 175,104,528</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 26,391,870</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, 2019

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 20,822	\$ 28,398
Churchill	15,269	26,831
Clark	503,126	953,059
Douglas	16,977	19,197
Elko	30,392	69,484
Esmeralda	17,865	44,120
Eureka	4,533	5,433
Lander	-	650
Lincoln	5,640	6,730
Lyon	22,093	38,549
Mineral	338	629
Nye	97,929	190,189
Pershing	1,305	1,655
Storey	750	750
Washoe	211,635	424,973
White Pine	1,650	2,435
Total	<u>\$ 950,324</u>	<u>\$ 1,813,082</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter Ended and Fiscal Year to Date as of December 31, 2019

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 5,677	\$ 13,035
Churchill	5,507	9,778
Clark	40,324	88,147
Douglas	3,902	6,017
Elko	12,794	21,837
Eureka	10	10
Humboldt	2,525	6,710
Lander	25	6,183
Lincoln	75	675
Lyon	1,111	3,658
Mineral	830	855
Nye	210	235
Pershing	2,800	9,235
Washoe	31,357	57,213
White Pine	3,256	4,509
Total	<u>\$ 110,403</u>	<u>\$ 228,097</u>