

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

Third Quarter
ENDED March 31, 2020



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**

July 8, 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 March 31, 2020.

Sincerely,

A handwritten signature in blue ink that reads "Catherine 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)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET

March 31, 2020

(Unaudited)

Assets	3/31/2020
Cash and cash equivalents	\$ 64,171,098
Accrued interest	
Investments	166,966
Treasurer's Interest Distribution	164,853
Total accrued interest	331,819
Receivables	
Land sales	977,729
Fines and penalties	414,478
Purchased interest	1,803
Total receivables	1,394,010
Investments	
Fixed income securities	163,579,510
Equity securities	135,619,407
Total investments	299,198,917
Other Assets	
Due from component unit (NCIC)	23,487,818
Total Assets	\$ 388,583,662
Liabilities	
Due to (from) the Distributive School Account	\$ 11,174,558
Due to heirs	533,369
Total liabilities	11,707,927
Fund Balances	
Nonspendable: permanent fund principal	376,875,735
Total Liabilities and Fund Balances	\$ 388,583,662

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 March 31, 2020
(Unaudited)

Revenues	Quarter Ended	Fiscal Year to Date
Fines - State Penal Laws		
Justice Courts	\$ 1,163,441	\$ 2,976,523
District Courts	167,004	395,101
Other fines and penalties	247,174	438,940
Total fines	1,577,619	3,810,564
Investment income (loss)	(28,362,650)	(9,189,146)
Land sales	3,316,350	6,451,958
Escheated estates	20,574	34,507
Gifts and donations	-	-
Miscellaneous	-	3,755
Total revenues	(23,448,107)	1,111,638
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	28,362,650	9,189,146
Net change in fund balances	4,914,543	10,300,784
Fund balances, beginning of period	371,961,192	370,513,922
Fund balance restatement	-	(3,938,971)
Fund balances, beginning of period (as restated)	371,961,192	366,574,951
Fund balances, end of period	\$ 376,875,735	\$ 376,875,735

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 MARCH 31, 2020**

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 March 31, 2020, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$30,340,881 and funds held by the State Treasurer earned interest at an effective rate of 2.18 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 MARCH 31, 2020**

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 March 31, 2020 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	3,583,400
Lyon	37,255,000	32,390,000
Mineral	2,500,000	2,303,000
Nye	37,220,000	31,270,000
Storey	4,720,000	3,320,000
Washoe	40,000,000	40,000,000
White Pine	<u>7,000,000</u>	<u>6,645,000</u>
Total	<u>\$236,509,300</u>	<u>\$169,136,400</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
March 31, 2020

	Interest Rate %	Maturity Date	Face Amount	Amortized Cost*	Fair Value
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	2.18			\$ 36,826,266	\$ 36,826,266
Dreyfus Inst Pref Govt MM	0.39			27,344,832	27,344,832
Total Cash and Cash Equivalents				<u>\$ 64,171,098</u>	<u>\$ 64,171,098</u>
Fixed Income Securities					
Farmer Mac	1.58	11/16/2020	\$ 12,500,000	\$ 12,325,542	\$ 12,488,875
Federal Farm Credit Bank	1.53	02/18/2021	14,000,000	14,000,000	14,020,860
Federal Home Loan Bank	1.64	04/15/2020	15,000,000	14,990,445	14,999,550
Federal Home Loan Bank	1.53	07/06/2020	14,000,000	13,942,880	13,996,640
Federal Home Loan Bank	2.25	06/11/2021	11,000,000	11,071,171	11,242,330
Federal Home Loan Mtg Corp	1.57	04/02/2020	25,000,000	24,998,913	25,000,000
Federal Home Loan Mtg Corp	1.58	05/12/2020	12,000,000	11,978,407	11,999,040
Federal Home Loan Mtg Corp	1.54	05/19/2020	25,000,000	24,948,667	24,997,750
US Treasury Notes	1.38	09/30/2020	11,000,000	10,976,181	11,072,160
US Treasury Notes	1.75	12/31/2020	12,500,000	12,512,900	12,659,125
US Treasury Notes	1.13	02/28/2021	11,000,000	10,938,599	11,103,180
Total Fixed Income Securities			<u>\$ 163,000,000</u>	<u>\$ 162,683,705</u>	<u>\$ 163,579,510</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 112,174,552
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	15,846,901
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	7,597,954
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 135,619,407</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 23,487,818</u>	

* Values do not include purchased interest

STATE OF NEVADA
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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter Ended and Fiscal Year to Date as of March 31, 2020

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 26,969	\$ 55,367
Churchill	15,669	42,500
Clark	623,624	1,576,683
Douglas	22,036	41,233
Elko	22,555	92,039
Esmeralda	12,875	56,995
Eureka	1,952	7,385
Lander	440	1,090
Lincoln	9,546	16,276
Lyon	21,968	60,517
Mineral	658	1,287
Nye	104,105	294,294
Pershing	180	1,835
Storey	1,920	2,670
Washoe	297,669	722,642
White Pine	1,275	3,710
Total	<u>\$ 1,163,441</u>	<u>\$ 2,976,523</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 March 31, 2020

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 9,498	\$ 22,533
Churchill	4,430	14,208
Clark	103,154	191,301
Douglas	7,870	13,887
Elko	6,364	28,201
Esmeralda	1	1
Eureka	-	10
Humboldt	325	7,035
Lander	75	6,258
Lincoln	225	900
Lyon	4,280	7,938
Mineral	300	1,155
Nye	5,885	6,120
Pershing	1,446	10,681
Washoe	20,631	77,844
White Pine	2,520	7,029
Total	<u>\$ 167,004</u>	<u>\$ 395,101</u>