

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2013
(Unaudited)

KIM R. WALLIN, CMA, CFM, CPA
STATE CONTROLLER
CARSON CITY, NEVADA



**OFFICE OF THE
STATE CONTROLLER**

January 24, 2014

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 September 30, 2013.

Sincerely,

A handwritten signature in blue ink that reads "Kim R. Wallin".

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW: ceb

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2013 and 2012
(Unaudited)

Exhibit A

Assets	9/30/2013	9/30/2012
Cash and cash equivalents	\$ 69,857,647	\$ 8,614,773
Accrued interest		
Investments	607,708	880,095
Treasurer	145	6,263
Total accrued interest	<u>607,853</u>	<u>886,358</u>
Receivables		
Land sales	61,257	67,488
Fines and penalties	321,532	405,561
Purchased interest	239,640	785,521
Total receivables	<u>622,429</u>	<u>1,258,570</u>
Investments		
U.S. Government securities	<u>248,835,301</u>	<u>306,520,617</u>
Other Assets		
Due from Component Unit (NCIC)	<u>3,335,476</u>	<u>-</u>
Total Assets	<u>\$ 323,258,706</u>	<u>\$ 317,280,318</u>
Liabilities		
Due to (from) the Distributive School Account	\$ 2,103,852	\$ 1,122,742
Due to heirs	1,402,249	1,572,915
Due to other funds	<u>-</u>	<u>854</u>
Total liabilities	<u>3,506,101</u>	<u>2,696,511</u>
Fund balances		
Nonspendable: Permanent Fund Principal	<u>319,752,605</u>	<u>314,583,807</u>
Total Liabilities and Fund Balances	<u>\$ 323,258,706</u>	<u>\$ 317,280,318</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 Quarters Ended September 30, 2013 and 2012
(Unaudited)

	Quarter Ended 9/30/2013	<u>Exhibit B</u> Quarter Ended 9/30/2012
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 885,252	\$ 1,096,663
District Courts	120,419	120,740
Other Fines and Penalties	12,500	56,200
Total fines	1,018,171	1,273,603
Investment income (loss)	438,633	308,936
Land sales	91,557	67,488
Escheated estates	(1,725)	(6,388)
Miscellaneous	3,774	2,940
Total revenues	<u>1,550,410</u>	<u>1,646,579</u>
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(438,633)</u>	<u>(308,936)</u>
Net change in fund balances	1,111,777	1,337,643
Fund balances, beginning of period	<u>318,640,828</u>	<u>313,246,164</u>
Fund balances, September 30	<u><u>\$ 319,752,605</u></u>	<u><u>\$ 314,583,807</u></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 SEPTEMBER 30, 2013**

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:

For the quarter ended September 30, 2013, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$10,316,568. 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 September 30, 2013, funds held by the State Treasurer earned interest at an effective rate of 0.034 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)

**STATE OF NEVADA
PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER, 2013**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues: (continued)

- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- 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 September 30, 2013 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$43,615,000	\$35,205,000
Churchill	39,675,000	32,805,000
Douglas	27,500,000	26,835,000
Humboldt	2,950,000	2,630,000
Lincoln	5,759,300	5,611,800
Lyon	47,080,000	37,215,000
Mineral	2,825,000	1,915,000
Nye	43,885,000	39,670,000
Pershing	5,000,000	4,775,000
Storey	11,425,000	9,495,000
White Pine	3,890,000	2,555,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2013

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Amortized Cost*</u>	<u>Fair Value</u>
U.S. Government Securities					
Fed. Farm Credit Bank	1.000	% 12/09/15	\$ 6,420,000	\$ 6,491,181	\$ 6,493,316
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,059,506	10,126,800
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,171,675	9,194,400
Fed. Home Loan Bank Note	0.125	03/27/14	20,000,000	20,000,867	20,003,600
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,021,011	7,371,770
Fed. Home Loan Bank Note	0.400	12/24/15	7,500,000	7,477,722	7,485,075
Fed. Home Loan Bank Note	1.000	09/19/18	10,000,000	10,000,000	10,009,300
Federal Home Loan Bank	0.375	11/27/13	9,000,000	9,003,668	9,004,140
Federal Home Loan Bank	0.300	12/04/13	12,500,000	12,504,123	12,504,750
Federal Home Loan Bank	4.875	12/13/13	10,000,000	10,011,112	10,095,900
U.S. Treasury Note	0.250	10/31/13	14,000,000	14,001,988	14,001,680
U.S. Treasury Note	0.250	06/30/14	13,195,000	13,206,380	13,209,910
U.S. Treasury Note	2.375	02/28/15	4,790,000	4,932,232	4,936,335
U.S. Treasury Note	0.250	08/15/15	20,000,000	19,915,172	19,979,600
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,168,336	14,179,978
U.S. Treasury Note	0.250	10/15/15	25,225,000	25,094,245	25,177,829
U.S. Treasury Note	1.250	10/31/15	39,000,000	39,706,386	39,722,280
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,327,990	15,338,638
Total U.S. Government Securities			<u>\$ 245,790,000</u>	<u>\$ 247,093,594</u>	<u>\$ 248,835,301</u>
Cash and Cash Equivalents					
Federal Home Loan Bank	0.060	% 11/06/13	\$ 6,301,000	\$ 6,300,622	\$ 6,300,874
Federal Home Loan Bank	0.065	11/06/13	10,000,000	9,999,350	9,999,800
Federal Home Loan Bank	0.070	11/06/13	14,000,000	13,999,020	13,999,720
Wells Fargo Advantage Govt. MM Fund	0.010	N/A	N/A	29,908,407	29,908,407
Pooled Cash with State Treasurer	0.034	N/A	N/A	9,648,846	9,648,846
Total Cash and Cash Equivalents			<u>\$ 30,301,000</u>	<u>\$ 69,856,245</u>	<u>\$ 69,857,647</u>

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarters Ended September 30, 2013 and 2012

	<u>Schedule 2</u>	
County	Quarter Ended 9/30/13	Quarter Ended 9/30/2012
Carson City	\$ 5,334	\$ 6,492
Churchill	12,827	18,785
Clark	454,894	665,089
Douglas	4,380	11,603
Elko	70,983	49,665
Esmeralda	17,787	9,803
Eureka	764	1,324
Lander	1,185	842
Lincoln	1,800	1,433
Lyon	21,653	26,688
Mineral	203	-
Nye	71,494	64,883
Pershing	708	300
Washoe	218,525	235,827
White Pine	2,715	3,929
Total	<u>\$ 885,252</u>	<u>\$ 1,096,663</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarters Ended September 30, 2013 and 2012

County	Quarter Ended 9/30/13	Quarter Ended 9/30/12
Carson City	\$ 3,855	\$ 3,332
Churchill	1,431	2,084
Clark	42,931	38,041
Douglas	6,307	2,919
Elko	19,121	15,207
Esmeralda	-	1
Eureka	-	3,813
Humboldt	10,034	-
Lander	920	675
Lincoln	1,600	3,160
Lyon	927	1,775
Mineral	47	171
Nye	2,445	1,950
Pershing	-	1,094
Washoe	28,003	42,883
White Pine	2,798	3,635
Total	\$ 120,419	\$ 120,740