

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2015
(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**

May 22, 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 March 31, 2015.

Sincerely,

A handwritten signature in cursive script that reads "Ronald L. Knecht".

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

RK: ceb

Office of the Governor (1)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2015 and 2014
(Unaudited)

	Exhibit A	
Assets	3/31/2015	3/31/2014
Cash and cash equivalents	\$ 97,400,282	\$ 32,388,430
Accrued interest		
Investments	646,453	761,636
Treasurer	8,895	-
Total accrued interest	<u>655,348</u>	<u>761,636</u>
Receivables		
Land sales	75,805	249,909
Fines and penalties	336,780	361,401
Purchased interest	850	156,136
Total receivables	<u>413,435</u>	<u>767,446</u>
Investments		
U.S. Government securities	<u>218,792,542</u>	<u>287,055,917</u>
Other Assets		
Due from Component Unit (NCIC)	<u>14,759,986</u>	<u>4,814,634</u>
Total Assets	<u><u>\$ 332,021,593</u></u>	<u><u>\$ 325,788,063</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 1,456,638	\$ 1,866,704
Due to heirs	<u>320,977</u>	<u>1,376,880</u>
Total liabilities	<u>1,777,615</u>	<u>3,243,584</u>
Fund balances		
Nonspendable: Permanent Fund Principal	<u>330,243,978</u>	<u>322,544,479</u>
Total Liabilities and Fund Balances	<u><u>\$ 332,021,593</u></u>	<u><u>\$ 325,788,063</u></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 quarter and nine months ended March 31, 2015
(Unaudited)

	<u>Exhibit B</u>	
Revenues	Quarter Ended 3/31/2015	Nine Months Ended 3/31/2015
Fines - State Penal Laws		
Justice Courts	\$ 839,239	\$ 2,568,950
District Courts	160,672	444,205
Other Fines and Penalties	43,955	131,925
Total fines	1,043,866	3,145,080
Investment income (loss)	564,773	975,612
Land sales	299,524	2,488,456
Escheated estates	19,502	22,808
Miscellaneous	2,754	11,118
Total revenues	1,930,419	6,643,074
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(564,773)	(975,612)
Net change in fund balances	1,365,646	5,667,462
Fund balances, beginning of period	328,878,332	324,576,516
Fund balances, end of period	\$ 330,243,978	\$ 330,243,978

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, 2015**

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, 2015, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$16,347,922. For the quarter ended March 31, 2015, funds held by the State Treasurer earned interest at an effective rate of 0.2177 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 MARCH 31, 2015**

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, 2015 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,610,000	\$28,180,000
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	5,155,600
Lyon	47,240,000	35,450,000
Mineral	2,825,000	1,450,000
Nye	44,185,000	39,480,000
Pershing	5,000,000	4,565,000
Storey	11,425,000	8,390,000
Washoe	40,000,000	40,000,000
White Pine	10,890,000	9,085,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
March 31, 2015

	<u>Schedule 1</u>				
	Stated Interest Rate	Maturity Date	Face Amount	Amortized Cost*	Fair Value
U.S. Government Securities					
Fed. Farm Credit Bank	1.000	12/09/15	\$ 6,420,000	\$ 6,442,402	\$ 6,452,293
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,023,683	10,068,800
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,085,996	8,629,520
Fed. Home Loan Bank Callable Note	2.100	03/30/20	30,000,000	30,000,000	30,074,400
Fed. Home Loan Bank Discount Note	0.120	06/18/15	5,000,000	4,998,700	4,999,350
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	20,000,000	20,000,000	20,001,400
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	18,000,000	18,000,000	18,001,260
U.S. Treasury Note	0.250	05/15/15	10,000,000	10,000,102	10,001,600
U.S. Treasury Note	2.125	05/31/15	10,500,000	10,533,732	10,532,865
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,192,594	14,206,674
U.S. Treasury Note	2.625	02/29/16	9,450,000	9,646,133	9,652,324
U.S. Treasury Note	0.375	03/31/16	5,000,000	5,000,245	5,004,700
U.S. Treasury Note	0.250	05/15/16	4,000,000	3,988,173	3,996,560
U.S. Treasury Note	1.750	05/31/16	16,000,000	16,243,474	16,260,000
U.S. Treasury Note	3.250	06/30/16	5,000,000	5,171,122	5,179,300
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,133,318	15,178,566
U.S. Treasury Note	1.000	08/31/16	5,000,000	5,023,470	5,041,400
U.S. Treasury Note	1.000	09/30/16	8,000,000	8,046,366	8,068,720
U.S. Treasury Note	0.875	11/30/16	9,350,000	9,364,313	9,413,580
U.S. Treasury Note	0.875	12/31/16	7,975,000	7,996,021	8,029,230
Total U.S. Government Securities			<u>\$ 216,855,000</u>	<u>\$ 217,889,844</u>	<u>\$ 218,792,542</u>
Cash and Cash Equivalents					
Morgan Stanley Global Liquid	0.040		N/A	80,922,518	80,922,518
Pooled Cash with State Treasurer			N/A	16,477,764	16,477,764
Total Cash and Cash Equivalents			<u>\$ -</u>	<u>\$ 97,400,282</u>	<u>\$ 97,400,282</u>
Private Equity Investments					
Nevada Capital Investment Corporation			N/A	<u>14,759,986</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 nine months ended March 31, 2015

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2015	Nine Months Ended 3/31/2015
Carson City	\$ 5,989	\$ 15,114
Churchill	17,949	43,282
Clark	411,816	1,345,944
Douglas	5,802	11,969
Elko	33,555	115,353
Esmeralda	9,655	26,778
Eureka	525	2,305
Lander	1,539	2,609
Lincoln	385	5,685
Lyon	15,802	52,656
Mineral	466	496
Nye	101,934	278,543
Pershing	365	1,394
Washoe	231,347	656,732
White Pine	2,110	10,090
Total	<u>\$ 839,239</u>	<u>\$ 2,568,950</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and nine months ended March 31, 2015

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2015	Nine Months Ended 3/31/2015
Carson City	\$ 1,717	\$ 12,918
Churchill	4,121	11,137
Clark	82,335	234,105
Douglas	4,422	8,540
Elko	16,654	45,593
Esmeralda	-	40
Eureka	-	25
Humboldt	3,159	6,826
Lander	410	1,445
Lincoln	1,641	12,436
Lyon	940	2,826
Nye	3,305	6,981
Pershing	550	4,824
Washoe	38,348	87,189
White Pine	3,070	9,320
Total	<u>\$ 160,672</u>	<u>\$ 444,205</u>