

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

Fourth QUARTER
ENDED June 30, 2020



CATHERINE BYRNE, CPA
STATE CONTROLLER

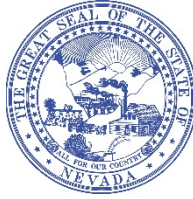
CARSON CITY, NV

CATHERINE BYRNE, CPA

Controller

STATE OF NEVADA

LORI HOOVER, CPA
Chief Deputy Controller



**OFFICE OF THE
STATE CONTROLLER**

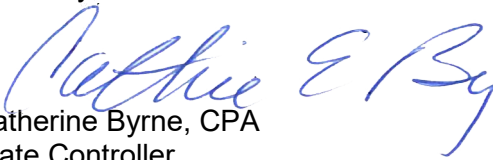
August 7, 2020

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 June 30, 2020.

Sincerely,


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

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET

June 30, 2020

(Unaudited)

Assets	6/30/2020
Cash and cash equivalents	<u>\$ 50,991,987</u>
Accrued interest	
Investments	185,445
Treasurer's Interest Distribution	<u>109,826</u>
Total accrued interest	<u>295,271</u>
Receivables	
Land sales	-
Fines and penalties	404,573
Purchased interest	<u>128,096</u>
Total receivables	<u>532,669</u>
Investments	
Fixed income securities	180,843,676
Equity securities	<u>163,395,059</u>
Total investments	<u>344,238,735</u>
Other Assets	
Due from component unit (NCIC)	<u>23,686,965</u>
Total Assets	<u><u>\$ 419,745,627</u></u>
Liabilities	
Due to (from) the Distributive School Account	\$ 36,288,091
Due to heirs	<u>538,832</u>
Total liabilities	<u>36,826,923</u>
Fund Balances	
Nonspendable: permanent fund principal	<u>382,918,704</u>
Total Liabilities and Fund Balances	<u><u>\$ 419,745,627</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
For the Quarter Ended and Fiscal Year to Date as of June 30, 2020
(Unaudited)

Revenues	Quarter Ended	Fiscal Year to Date
Fines - State Penal Laws		
Justice Courts	\$ 766,539	\$ 3,743,062
District Courts	64,909	460,010
Other fines and penalties	409,975	848,915
Total fines	1,241,423	5,051,987
Investment income (loss)	28,753,100	19,563,954
Land sales	4,799,665	11,251,623
Escheated estates	1,631	36,138
Gifts and donations	-	-
Miscellaneous	250	4,005
Total revenues	34,796,069	35,907,707
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(28,753,100)	(19,563,954)
 Net change in fund balances	6,042,969	16,343,753
Fund balances, beginning of period	376,875,735	370,513,922
Fund balance restatement	-	(3,938,971)
Fund balances, beginning of period (as restated)	376,875,735	366,574,951
 Fund balances, end of period	\$ 382,918,704	\$ 382,918,704

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 JUNE 30, 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 June 30, 2020, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$36,353,860 and funds held by the State Treasurer earned interest at an effective rate of 1.25 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 JUNE 30, 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 June 30, 2020 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$19,560,000	\$8,740,000
Churchill	32,835,000	21,575,000
Douglas	17,500,000	14,860,000
Lincoln	5,759,300	3,583,400
Lyon	37,255,000	30,055,000
Mineral	2,500,000	2,100,000
Nye	37,220,000	29,410,000
Storey	4,720,000	3,320,000
Washoe	40,000,000	36,475,000
White Pine	<u>7,000,000</u>	<u>6,285,000</u>
Total	<u>\$204,349,300</u>	<u>\$156,403,400</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
June 30, 2020

	<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	1.25			\$ 40,412,606	\$ 40,412,606
Goldman Sachs	0.15			10,579,381	10,579,381
Total Cash and Cash Equivalents				<u>\$ 50,991,987</u>	<u>\$ 50,991,987</u>
Fixed Income Securities					
Farmer Mac	1.58	11/16/2020	\$ 12,500,000	\$ 12,325,542	\$ 12,491,875
Federal Farm Credit Bank	0.18	03/03/2021	10,000,000	9,987,750	9,988,400
Federal Farm Credit Bank	0.16	08/12/2021	10,000,000	9,998,998	9,996,600
Federal Farm Credit Bank	0.23	08/12/2021	10,000,000	10,000,000	9,998,500
Federal Home Loan Bank	1.53	07/06/2020	14,000,000	13,997,025	13,999,720
Federal Home Loan Bank	0.15	10/02/2020	10,000,000	9,999,802	9,998,800
Federal Home Loan Bank	2.25	06/11/2021	11,000,000	11,056,317	11,206,690
Federal Home Loan Bank	1.88	07/07/2021	13,220,000	13,448,541	13,443,021
Federal Home Loan Bank	2.63	12/10/2021	10,000,000	10,350,640	10,343,600
Federal Home Loan Mtg Corp	0.50	10/27/2022	9,500,000	9,500,000	9,501,045
Federal Home Loan Mtg Corp	0.42	10/28/2022	15,000,000	15,000,000	15,002,400
Federal Home Loan Mtg Corp	0.34	11/21/2022	10,000,000	10,000,000	9,993,600
Federal National Mtg Assn	2.50	04/13/2021	10,000,000	10,182,179	10,182,700
US Treasury Notes	1.38	09/30/2020	11,000,000	10,988,090	11,032,670
US Treasury Notes	1.75	12/31/2020	12,500,000	12,508,616	12,596,625
US Treasury Notes	1.13	02/28/2021	11,000,000	10,955,378	11,067,430
Total Fixed Income Securities			<u>\$ 179,720,000</u>	<u>\$ 180,298,878</u>	<u>\$ 180,843,676</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 134,542,316
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	19,576,830
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	9,275,913
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 163,395,059</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 23,686,965</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 June 30, 2020

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 7,398	\$ 62,765
Churchill	13,013	55,513
Clark	499,162	2,075,845
Douglas	14,335	55,568
Elko	7,933	99,972
Esmeralda	2,885	59,880
Eureka	962	8,347
Lander	25	1,115
Lincoln	4,638	20,914
Lyon	14,396	74,913
Mineral	-	1,287
Nye	36,468	330,762
Pershing	320	2,155
Storey	3,423	6,093
Washoe	159,781	882,423
White Pine	1,800	5,510
Total	<u>\$ 766,539</u>	<u>\$ 3,743,062</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 June 30, 2020

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 1,775	\$ 24,308
Churchill	2,040	16,248
Clark	27,342	218,643
Douglas	7,390	21,277
Elko	4,330	32,531
Esmeralda	-	1
Eureka	-	10
Humboldt	1,042	8,077
Lander	156	6,414
Lincoln	500	1,400
Lyon	2,965	10,903
Mineral	12	1,167
Nye	-	6,120
Pershing	20	10,701
Washoe	12,928	90,772
White Pine	4,409	11,438
Total	<u>\$ 64,909</u>	<u>\$ 460,010</u>