

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED SEPTEMBER 30, 2018  
(Unaudited)

CATHERINE BYRNE, CPA  
STATE CONTROLLER  
CARSON CITY, NEVADA

**CATHERINE BYRNE, CPA**  
*Controller*

**STATE OF NEVADA**

**LORI HOOVER, CPA**  
*Chief Deputy Controller*



**OFFICE OF THE  
STATE CONTROLLER**

**March 1, 2019**

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 September 30, 2018.

Sincerely,

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

Catherine Byrne, CPA  
State Controller

CB: ss

Office of the Governor (1)  
Governor's Office of Finance (2)  
Nevada State Treasurer (1)  
Nevada Tax Commission (1)  
Division of State Lands (1)  
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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEET**  
September 30, 2018  
(Unaudited)

**Exhibit A**

**Assets**

**9/30/2018**

Cash and cash equivalents	\$ 21,576,993
Accrued interest	
Investments	64,092
Treasurer	96,962
Total accrued interest	161,054
Receivables	
Land sales	97,624
Fines and penalties	314,524
Total receivables	412,148
Investments	
Fixed income securities	169,083,700
Equity securities	160,616,055
Total investments	329,699,755
Other Assets	
Due from component unit (NCIC)	39,566,626
<b>Total Assets</b>	<b>\$ 391,416,576</b>

**Liabilities**

Due to (from) the Distributive School Account	\$ 25,346,636
Accounts payable	1,981
Due to heirs	703,915
Total liabilities	26,052,532

**Fund Balances**

Nonspendable: permanent fund principal	365,364,044
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<b>Total Liabilities and Fund Balances</b>	<b>\$ 391,416,576</b>
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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  
BALANCES**

For the quarter ended September 30, 2018  
(Unaudited)

	<u>Exhibit B</u>
<b>Revenues</b>	<b>Quarter Ended 9/30/2018</b>
Fines - State Penal Laws	
Justice Courts	\$ 806,176
District Courts	146,258
Other fines and penalties	<u>7,455</u>
Total fines	959,889
Investment income (loss)	11,229,311
Land sales	3,566,640
Escheated estates	24,262
Miscellaneous	<u>4,525</u>
Total revenues	<u>15,784,627</u>
<b>Other Financing Sources (Uses)</b>	
Transfer (to) from Distributive School Account	<u>(11,229,311)</u>
Net change in fund balances	4,555,316
Fund balances, beginning of period	<u>360,808,728</u>
Fund balances, end of period	<u><u>\$ 365,364,044</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, 2018**

**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 September 30, 2018, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$18,797,693 and funds held by the State Treasurer earned interest at an effective rate of 2.08 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 SEPTEMBER 30, 2018**

**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 September 30, 2018 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,560,000	\$11,950,000
Churchill	43,370,000	33,760,000
Douglas	33,625,000	30,515,000
Humboldt	2,950,000	2,005,000
Lincoln	5,759,300	4,235,400
Lyon	58,960,000	35,430,000
Mineral	2,500,000	2,500,000
Nye	37,120,000	32,980,000
Pershing	4,725,000	3,650,000
Storey	8,070,300	7,098,300
Washoe	40,000,000	40,000,000
White Pine	<u>7,000,000</u>	<u>7,000,000</u>
 Total	 <u>\$279,639,600</u>	 <u>\$211,123,700</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF CASH AND INVESTMENTS**  
September 30, 2018

	<b>Stated</b>				<b>Schedule 1</b>
	<b>Interest</b>	<b>Maturity</b>	<b>Face</b>	<b>Amortized</b>	<b>Fair</b>
	<b>Rate</b>	<b>Date</b>	<b>Amount</b>	<b>Cost*</b>	<b>Value</b>
<b>Cash and Cash Equivalents</b>					
Pooled Cash with State Treasurer	N/A	N/A	N/A	\$ 19,662,676	\$ 19,662,676
Invesco	1.970	N/A	N/A	1,914,317	1,914,317
Total Cash and Cash Equivalents				<u>\$ 21,576,993</u>	<u>\$ 21,576,993</u>
<b>Fixed Income Securities</b>					
Fed. Home Loan Bank	1.880	10/04/18	8,000,000	7,998,747	7,986,320
Fed. Home Loan Bank	1.950	10/29/18	9,000,000	8,986,350	8,985,240
Fed. Home Loan Bank	1.940	10/04/18	10,000,000	9,998,383	10,010,440
Fed. Home Loan Bank	2.040	12/05/18	26,000,000	25,904,233	25,897,560
Fed. Home Loan Bank	2.135	01/22/19	26,000,000	25,825,760	25,817,220
Fed. Home Loan Mtg. Corp	1.955	11/20/18	30,000,000	29,918,542	29,910,300
Fed. Home Loan Mtg. Corp	2.110	02/20/19	26,000,000	25,783,608	25,765,220
Fed. Home Loan Mtg. Corp	2.235	03/20/19	26,000,000	25,725,592	25,711,400
U.S. Treasury Notes	1.375	09/30/18	9,000,000	9,000,000	9,000,000
Total Fixed Income Securities			<u>\$ 170,000,000</u>	<u>\$ 169,141,215</u>	<u>\$ 169,083,700</u>
<b>Equity Securities</b>					
Vanguard Inst Index Fund Inst Plus	N/A	N/A	N/A	\$ 108,175,000	\$ 127,230,253
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	19,166,000	21,754,116
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	9,583,000	11,631,686
Total Equity Securities				<u>\$ 136,924,000</u>	<u>\$ 160,616,055</u>
<b>Private Equity Investments (Due from Component Unit)</b>					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 39,566,626</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 ended September 30, 2018

<b>County</b>	<b><u>Schedule 2</u></b>
	<b><u>Quarter Ended 9/30/2018</u></b>
Carson City	\$ 7,070
Churchill	16,177
Clark	421,794
Douglas	1,119
Elko	31,974
Esmeralda	20,658
Eureka	1,200
Lyon	12,949
Mineral	400
Nye	66,889
Pershing	240
Washoe	224,451
White Pine	<u>1,255</u>
Total	<u><u>\$ 806,176</u></u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**  
For the quarter ended September 30, 2018

<b>County</b>	<b><u>Schedule 3</u></b> <b><u>Quarter</u></b> <b><u>Ended</u></b> <b><u>9/30/2018</u></b>
Carson City	\$ 4,554
Churchill	1,974
Clark	77,459
Douglas	2,032
Elko	6,205
Humboldt	6,201
Lander	1,070
Lincoln	150
Lyon	1,084
Mineral	3,119
Nye	4,624
Pershing	3,446
Washoe	30,017
White Pine	<u>4,323</u>
Total	<u><u>\$ 146,258</u></u>