

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

FOURTH QUARTER
ENDED June 30, 2019
(Unaudited)



CATHERINE BYRNE, CPA
STATE CONTROLLER

CARSON CITY, NV



**OFFICE OF THE
STATE CONTROLLER**

September 11, 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 June 30, 2019.

Sincerely,

A handwritten signature in blue ink, appearing to read "Catherine Byrne".

Catherine Byrne, CPA
State Controller

CB: dc

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Governor's Office of Finance (2)
Nevada State Treasurer (1)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEET

June 30, 2019

(Unaudited)

Assets	6/30/2019
Cash and cash equivalents	\$ 50,513,822
Accrued interest	
Investments	43,697
Treasurer's Interest Distribution	144,380
Total accrued interest	188,077
Receivables	
Land sales	83,218
Fines and penalties	322,753
Total receivables	405,971
Investments	
Fixed income securities	148,341,320
Equity securities	161,506,075
Total investments	309,847,395
Other Assets	
Due from component unit (NCIC)	34,158,749
Total Assets	\$ 395,114,014
Liabilities	
Due to (from) the Distributive School Account	\$ 24,182,244
Due to heirs	417,848
Total liabilities	24,600,092
Fund Balances	
Nonspendable: permanent fund principal	370,513,922
Total Liabilities and Fund Balances	\$ 395,114,014

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, 2019

(Unaudited)

Revenues	Quarter Ended	Fiscal Year to Date
Fines - State Penal Laws		
Justice Courts	\$ 905,720	\$ 3,474,801
District Courts	138,254	572,025
Other fines and penalties	(2,485)	-
Total fines	1,041,489	4,046,826
Investment income (loss)	7,502,006	16,382,425
Land sales	382,783	4,242,460
Escheated estates	22,303	(30,044)
Gifts and donations	-	1,441,427
Miscellaneous	-	4,525
Total revenues	8,948,581	26,087,619
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(7,502,006)	(16,382,425)
 Net change in fund balances	1,446,575	9,705,194
Fund balances, beginning of period	369,067,347	360,808,728
 Fund balances, end of period	<u>\$ 370,513,922</u>	<u>\$ 370,513,922</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 JUNE 30, 2019**

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, 2019, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$25,324,507 and funds held by the State Treasurer earned interest at an effective rate of 2.26 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, 2019**

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, 2019 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	3,914,800
Lyon	37,255,000	32,890,000
Mineral	2,500,000	2,303,000
Nye	37,120,000	31,170,000
Pershing	1,725,000	1,425,000
Storey	8,070,300	6,535,500
Washoe	40,000,000	40,000,000
White Pine	<u>7,000,000</u>	<u>6,645,000</u>
Total	<u>\$241,484,600</u>	<u>\$174,508,300</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF CASH AND INVESTMENTS
June 30, 2019

	<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	2.26			\$ 24,136,208	\$ 24,136,208
Invesco	2.27			26,377,614	26,377,614
Total Cash and Cash Equivalents				<u>\$ 50,513,822</u>	<u>\$ 50,513,822</u>
Fixed Income Securities					
Farmer Mac	2.42	09/25/2019	\$ 25,000,000	\$ 24,855,472	\$ 24,871,000
Fed. Home Loan Bank	2.41	08/20/2019	20,000,000	19,933,056	19,939,653
Fed. Home Loan Bank	2.40	10/15/2019	25,000,000	24,823,333	24,843,250
Fed. Home Loan Bank	2.32	12/11/2019	25,000,000	24,737,389	24,765,750
Fed. Home Loan Bank	2.40	08/20/2019	4,000,000	3,986,667	3,986,667
Fed. Home Loan Mtg. Corp	2.52	07/18/2019	25,000,000	24,970,250	24,974,000
US Treasury Note	1.75	11/30/2019	25,000,000	24,933,036	24,961,000
Total Fixed Income Securities			<u>\$ 149,000,000</u>	<u>\$ 148,239,203</u>	<u>\$ 148,341,320</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 129,584,137
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	21,334,154
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	10,587,784
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 161,506,075</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 34,158,749</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, 2019

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 6,933	\$ 30,642
Churchill	10,202	59,443
Clark	506,772	1,904,580
Douglas	5,038	12,269
Elko	24,783	113,141
Esmeralda	27,382	80,208
Eureka	1,340	4,230
Lander	410	695
Lincoln	1,935	6,170
Lyon	19,772	65,136
Mineral	521	1,749
Nye	106,662	379,385
Pershing	780	1,905
Washoe	191,850	807,853
White Pine	1,340	7,395
Total	<u>\$ 905,720</u>	<u>\$ 3,474,801</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, 2019

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 5,702	\$ 40,416
Churchill	2,143	9,734
Clark	70,289	283,024
Douglas	7,421	17,192
Elko	7,459	37,597
Humboldt	1,065	11,235
Lander	970	2,922
Lincoln	225	900
Lyon	2,313	5,928
Mineral	842	5,303
Nye	2,531	15,610
Pershing	8,325	19,754
Washoe	27,175	111,112
White Pine	1,794	11,298
Total	<u>\$ 138,254</u>	<u>\$ 572,025</u>