

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

FOURTH QUARTER
ENDED September 30, 2019
(Unaudited)



CATHERINE BYRNE, CPA
STATE CONTROLLER

CARSON CITY, NV



**OFFICE OF THE
STATE CONTROLLER**

March 17, 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 September 30, 2019.

Sincerely,

A handwritten signature in blue ink that reads "Catherine Byrne".

Catherine Byrne, CPA
State Controller

CB: dc

Office of the Governor (1)
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
September 30, 2019
(Unaudited)

Assets	<u>9/30/2019</u>
Cash and cash equivalents	\$ 20,178,894
Accrued interest	
Investments	200,213
Treasurer's Interest Distribution	<u>161,002</u>
Total accrued interest	<u>361,215</u>
Receivables	
Land sales	84,396
Fines and penalties	290,035
Purchased interest	<u>80,687</u>
Total receivables	<u>455,118</u>
Investments	
Fixed income securities	182,708,780
Equity securities	<u>162,858,516</u>
Total investments	<u>345,567,296</u>
Other Assets	
Due from component unit (NCIC)	<u>29,585,345</u>
Total Assets	<u><u>\$ 396,147,868</u></u>
 Liabilities	
Due to (from) the Distributive School Account	\$ 25,617,896
Due to heirs	<u>452,985</u>
Total liabilities	<u>26,070,881</u>
 Fund Balances	
Nonspendable: permanent fund principal	<u>370,076,987</u>
Total Liabilities and Fund Balances	<u><u>\$ 396,147,868</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 September 30, 2019
(Unaudited)

Revenues	Quarter Ended
Fines - State Penal Laws	
Justice Courts	\$ 862,758
District Courts	117,694
Other fines and penalties	-
Total fines	980,452
Investment income (loss)	3,278,704
Land sales	2,507,333
Escheated estates	10,496
Gifts and donations	-
Miscellaneous	3,755
Total revenues	6,780,740
Other Financing Sources (Uses)	
Transfer (to) from Distributive School Account	(3,278,704)
Net change in fund balances	3,502,036
Fund balances, beginning of period	370,513,922
Fund balance restatement	(3,938,971)
Fund balances, beginning of period (as restated)	366,574,951
Fund balances, end of period	\$ 370,076,987

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, 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 September 30, 2019, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$24,773,215 and funds held by the State Treasurer earned interest at an effective rate of 2.56 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, 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 September 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>

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
September 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	2.56			\$ 17,750,101	\$ 17,750,101
Invesco	1.83			2,428,793	2,428,793
Total Cash and Cash Equivalents				<u>\$ 20,178,894</u>	<u>\$ 20,178,894</u>
Fixed Income Securities					
FARMER MAC	2.05	01/02/2020	\$ 25,000,000	\$ 24,867,604	\$ 24,880,500
Federal Home Loan Bank	2.40	10/15/2019	25,000,000	24,976,667	24,981,750
Federal Home Loan Bank	2.32	12/11/2019	25,000,000	24,885,611	24,907,750
Federal Home Loan Bank	2.25	06/11/2021	11,000,000	11,101,044	11,106,040
US Treasury Notes	1.75	11/30/2019	25,000,000	24,973,567	24,987,250
US Treasury Notes	1.38	02/15/2020	25,000,000	24,941,941	24,946,250
US Treasury Notes	2.25	03/31/2020	25,000,000	25,052,368	25,044,000
US Treasury Notes	1.38	09/30/2020	11,000,000	10,952,231	10,951,930
US Treasury Notes	1.13	02/28/2021	11,000,000	10,904,856	10,903,310
Total Fixed Income Securities			<u>\$ 183,000,000</u>	<u>\$ 182,655,889</u>	<u>\$ 182,708,780</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 131,068,184
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	21,222,436
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	10,567,896
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 162,858,516</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 29,585,345</u>	

* 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, 2019

County	<u>Quarter Ended</u>
Carson City	\$ 7,576
Churchill	11,562
Clark	449,933
Douglas	2,220
Elko	39,092
Esmeralda	26,255
Eureka	900
Lander	650
Lincoln	1,090
Lyon	16,456
Mineral	291
Nye	92,260
Pershing	350
Washoe	213,338
White Pine	<u>785</u>
Total	<u><u>\$ 862,758</u></u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter Ended September 30, 2019

County	<u>Quarter Ended</u>
Carson City	\$ 7,358
Churchill	4,271
Clark	47,823
Douglas	2,115
Elko	9,043
Humboldt	4,185
Lander	6,158
Lincoln	600
Lyon	2,547
Mineral	25
Nye	25
Pershing	6,435
Washoe	25,856
White Pine	<u>1,253</u>
Total	<u>\$ 117,694</u>