

STATE OF NEVADA
PERMANENT SCHOOL FUND
INTERIM FINANCIAL STATEMENTS

THIRD QUARTER
ENDED March 31, 2019
(Unaudited)



CATHERINE BYRNE, CPA
STATE CONTROLLER

CARSON CITY, NV



**OFFICE OF THE
STATE CONTROLLER**

June 19, 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 March 31, 2019.

Sincerely,

A handwritten signature in blue ink that reads "Cathy 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

March 31, 2019
(Unaudited)

Assets	3/31/2019
Cash and cash equivalents	<u>\$ 25,296,741</u>
Accrued interest	
Investments	5,876
Treasurer's Interest Distribution	<u>158,867</u>
Total accrued interest	<u>164,743</u>
Receivables	
Fines and penalties	<u>375,093</u>
Investments	
Fixed income securities	172,690,190
Equity securities	<u>155,936,557</u>
Total investments	<u>328,626,747</u>
Other Assets	
Due from component unit (NCIC)	<u>34,048,498</u>
Total Assets	<u><u>\$ 388,511,822</u></u>
Liabilities	
Due to (from) the Distributive School Account	\$ 18,997,032
Due to heirs	<u>447,443</u>
Total liabilities	<u>19,444,475</u>
Fund Balances	
Nonspendable: permanent fund principal	<u>369,067,347</u>
Total Liabilities and Fund Balances	<u><u>\$ 388,511,822</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 March 31, 2019
(Unaudited)

Revenues	Quarter Ended	Fiscal Year to Date
Fines - State Penal Laws		
Justice Courts	\$ 947,870	\$ 2,569,081
District Courts	142,676	433,771
Other fines and penalties	2,485	2,485
Total fines	1,093,031	3,005,337
Investment income (loss)	20,025,271	8,880,419
Land sales	293,037	3,859,677
Escheated estates	(512)	(52,347)
Gifts and donations	-	1,441,427
Miscellaneous	-	4,525
Total revenues	21,410,827	17,139,038
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(20,025,271)	(8,880,419)
 Net change in fund balances	1,385,556	8,258,619
Fund balances, beginning of period	367,681,791	360,808,728
 Fund balances, end of period	<u>\$ 369,067,347</u>	<u>\$ 369,067,347</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 MARCH 31, 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 March 31, 2019, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$27,000,755 and funds held by the State Treasurer earned interest at an effective rate of 2.37 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 MARCH 31, 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 March 31, 2019 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	140,000
Lincoln	5,759,300	3,914,800
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	6,535,500
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>\$208,375,300</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF CASH AND INVESTMENTS
March 31, 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	2.37			\$ 24,883,044	\$ 24,883,044
Invesco	2.34			413,697	413,697
Total Cash and Cash Equivalents				<u>\$ 25,296,741</u>	<u>\$ 25,296,741</u>
Fixed Income Securities					
Farmer Mac	2.49	06/28/2019	\$ 25,000,000	\$ 24,847,833	\$ 24,852,000
Farmer Mac	2.42	09/25/2019	25,000,000	24,702,542	24,703,750
Fed. Home Loan Bank	2.40	04/29/2019	25,000,000	24,953,333	24,953,000
Fed. Home Loan Bank	2.44	05/20/2019	5,000,000	4,983,394	4,983,394
Fed. Home Loan Bank	2.41	05/20/2019	10,000,000	9,967,197	9,967,256
Fed. Home Loan Bank	2.41	08/20/2019	20,000,000	19,811,217	19,811,040
Fed. Home Loan Bank	2.40	10/15/2019	25,000,000	24,671,667	24,671,750
Fed. Home Loan Bank	2.40	08/20/2019	4,000,000	3,962,400	3,962,400
Fed. Home Loan Mtg. Corp	2.43	05/20/2019	10,000,000	9,966,925	9,967,100
Fed. Home Loan Mtg. Corp	2.52	07/18/2019	25,000,000	24,811,000	24,818,500
Total Fixed Income Securities			<u>\$ 174,000,000</u>	<u>\$ 172,677,508</u>	<u>\$ 172,690,190</u>
Equity Securities					
Vanguard Inst Index Fund Inst Plus				\$ 110,028,000	\$ 124,747,601
Vanguard S&P Mid-Cap 400 Index Ist				19,494,000	20,792,686
Vanguard S&P Small-Cap 600 Index Ist				9,747,000	10,396,270
Total Equity Securities				<u>\$ 139,269,000</u>	<u>\$ 155,936,557</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation				<u>\$ 34,048,498</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 March 31, 2019

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 8,869	\$ 23,709
Churchill	18,793	49,241
Clark	539,457	1,397,808
Douglas	3,651	7,231
Elko	32,152	88,358
Esmeralda	15,590	52,826
Eureka	130	2,890
Lander	285	285
Lincoln	2,920	4,235
Lyon	17,878	45,364
Mineral	815	1,228
Nye	102,599	272,723
Pershing	155	1,125
Washoe	201,951	616,003
White Pine	2,625	6,055
Total	<u>\$ 947,870</u>	<u>\$ 2,569,081</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 March 31, 2019

County	Quarter Ended	Fiscal Year to Date
Carson City	\$ 7,962	\$ 34,714
Churchill	3,427	7,591
Clark	62,899	212,735
Douglas	3,941	9,771
Elko	12,858	30,138
Humboldt	2,773	10,170
Lander	380	1,952
Lincoln	150	675
Lyon	1,179	3,615
Mineral	1,030	4,461
Nye	7,655	13,079
Pershing	5,373	11,429
Washoe	29,008	83,937
White Pine	4,041	9,504
Total	<u>\$ 142,676</u>	<u>\$ 433,771</u>