

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2016
(Unaudited)

RON KNECHT, MS, JD, PE (CA)
STATE CONTROLLER
CARSON CITY, NEVADA

RON KNECHT,
MS, JD, PE (CA)
State Controller

STATE OF NEVADA

JAMES W. SMACK
Chief Deputy Controller

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Assistant Controller



**OFFICE OF THE
STATE CONTROLLER**

June 13, 2016

The Honorable Brian Sandoval
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Sandoval:

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, 2016.

Sincerely,

A handwritten signature in black ink that reads "Ronald L. Knecht". The signature is written in a cursive style with a large initial "R".

Ronald L. Knecht, MS, JD, PE (CA)
State Controller

RK: ss

Office of the Governor (1)
State Board of Education (2)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2016 and 2015
(Unaudited)

Exhibit A

Assets	<u>3/31/2016</u>	<u>3/31/2015</u>
Cash and cash equivalents	\$ 91,894,432	\$ 97,400,282
Accrued interest		
Investments	716,127	646,453
Treasurer	31,165	8,895
Total accrued interest	<u>747,292</u>	<u>655,348</u>
Receivables		
Land sales	-	75,805
Fines and penalties	259,348	336,780
Purchased interest	253,759	850
Other Receivables	42,287	-
Total receivables	<u>555,394</u>	<u>413,435</u>
Investments		
Fixed income securities	210,039,600	218,792,542
Equity securities	10,266,948	-
Total investments	<u>220,306,548</u>	<u>218,792,542</u>
Other Assets		
Due from component unit (NCIC)	26,230,778	14,759,986
Total Assets	<u>\$ 339,734,444</u>	<u>\$ 332,021,593</u>
Liabilities		
Due to (from) the Distributive School Account	\$ 1,814,967	\$ 1,456,638
Due to heirs	315,671	320,977
Total liabilities	<u>2,130,638</u>	<u>1,777,615</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>337,603,806</u>	<u>330,243,978</u>
Total Liabilities and Fund Balances	<u>\$ 339,734,444</u>	<u>\$ 332,021,593</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES**

For the quarter and nine months ended March 31, 2016
(Unaudited)

	Exhibit B	
	Quarter Ended 3/31/2016	Nine Months Ended 3/31/2016
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 749,992	\$ 2,128,911
District Courts	191,627	476,585
Other fines and penalties	43,480	158,488
Total fines	985,099	2,763,984
Investment income (loss)	1,605,192	3,024,632
Land sales	1,154,012	1,199,567
Escheated estates	14,528	12,627
Miscellaneous	265	5,822
Total revenues	3,759,096	7,006,632
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(1,605,192)	(3,024,632)
Net change in fund balances	2,153,904	3,982,000
Fund balances, beginning of period	335,449,902	333,621,806
Fund balances, end of period	\$ 337,603,806	\$ 337,603,806

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, 2016**

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, 2016, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$21,006,314. For the quarter ended March 31, 2016, funds held by the State Treasurer earned interest at an effective rate of 0.61 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, 2016**

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, 2016 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,610,000	\$26,605,000
Churchill	43,370,000	38,845,000
Douglas	36,000,000	33,925,000
Humboldt	2,950,000	2,395,000
Lincoln	5,759,300	4,846,200
Lyon	34,660,000	33,145,000
Mineral	2,825,000	980,000
Nye	44,185,000	38,765,000
Pershing	5,000,000	4,350,000
Storey	10,470,300	8,148,600
Washoe	40,000,000	40,000,000
White Pine	10,890,000	8,600,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
March 31, 2016

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Farmer Mac	0.920	06/30/17	\$ 29,000,000	\$ 29,000,000	\$ 29,059,740
Farmer Mac	0.450	04/29/16	1,000,000	999,650	999,840
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,028,877	8,213,600
Fed. Home Loan Bank	1.125	12/08/17	29,000,000	29,046,788	29,165,300
Fed. Home Loan Bank Discount Note	0.500	06/01/16	2,000,000	1,998,306	1,998,960
Fed. Home Loan Bank Discount Note	0.580	07/22/16	1,000,000	998,196	998,880
Fed. Home Loan Bank Discount Note	0.370	07/29/16	10,000,000	9,987,769	9,988,100
U.S. Treasury Note	1.375	06/30/18	29,000,000	29,177,327	29,385,120
U.S. Treasury Note	3.125	01/31/17	4,000,000	4,077,904	4,082,640
U.S. Treasury Note	2.625	04/30/16	33,000,000	33,058,557	33,062,700
Fed. Home Loan Bank Callable Note	0.750	07/28/17	25,000,000	24,996,319	25,001,500
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	20,000,000	20,000,000	20,043,800
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	18,000,000	18,000,000	18,039,420
Total Fixed Income Securities			\$ 209,000,000	\$ 209,369,693	\$ 210,039,600
Federal Home Loan Bank	0.390	05/27/16	\$ 15,802,000	\$ 15,792,413	\$ 15,795,679
Federal Home Loan Bank	0.370	05/27/16	17,000,000	16,990,216	16,993,200
Morgan Stanley Global Liquid	0.040	N/A	N/A	37,948,250	37,948,250
Pooled Cash with State Treasurer	N/A	N/A	N/A	21,157,303	21,157,303
Total Cash and Cash Equivalents			\$ 32,802,000	\$ 91,888,182	\$ 91,894,432
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 7,900,000	\$ 8,149,542
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	1,400,000	1,407,625
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	700,000	709,781
Total Equity Securities				\$ 10,000,000	\$ 10,266,948
Nevada Capital Investment Corporation	N/A	N/A	N/A	\$ 26,230,778	N/A

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the quarter and nine months ended March 31, 2016

County	Schedule 2	
	Quarter Ended 3/31/2016	Nine Months Ended 3/31/2016
Carson City	\$ 4,132	\$ 15,877
Churchill	16,330	40,203
Clark	372,320	954,229
Douglas	2,501	6,783
Elko	43,852	113,134
Esmeralda	13,700	60,674
Eureka	300	2,425
Lander	-	1,746
Lincoln	1,200	2,035
Lyon	18,025	46,227
Mineral	-	501
Nye	110,826	275,331
Pershing	70	1,345
Washoe	165,286	599,564
White Pine	1,450	8,837
Total	\$ 749,992	\$ 2,128,911

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and nine months ended March 31, 2016

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2016	Nine Months Ended 3/31/2016
Carson City	\$ 3,627	\$ 8,895
Churchill	4,597	16,834
Clark	99,640	266,365
Douglas	5,941	12,621
Elko	23,396	47,863
Esmeralda	-	50
Humboldt	3,579	9,956
Lincoln	225	1,600
Lyon	381	1,426
Nye	5,157	6,917
Pershing	700	2,138
Washoe	43,652	99,054
White Pine	732	2,866
Total	<u><u>\$ 191,627</u></u>	<u><u>\$ 476,585</u></u>