

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2014
(Unaudited)

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

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

STATE OF NEVADA

DEBORAH L. COOK, CPM
Chief Deputy Controller

JAMES W. SMACK
Assistant Controller



**OFFICE OF THE
STATE CONTROLLER**

January 15, 2015

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 September 30, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Ronald L. Knecht".

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

RK: ceb

Office of the Governor (1)
State Board of Education (2)
Department of Administration (2)
Department of Education (1)
Nevada Tax Commission (1)
Division of State Lands (1)
State Library and Archives (12)

State Capitol
101 N. Carson Street, Suite 5
Carson City, NV 89701-4786
(775) 684-5750
Fax (775) 684-5696

www.controller.nv.gov

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 4300
Las Vegas, Nevada 89101-1071
(702) 486-3895
Fax (702) 486-3896

STATE OF NEVADA
PERMANENT SCHOOL FUND

Table of Contents

	<u>Page</u>
Balance Sheets - Exhibit A	1
Statements of Revenues, Expenditures, and Changes in Fund Balances - Exhibit B	2
Notes to the Financial Statements	3
Schedule of Investments - Schedule 1	5
Schedule of Justice Court Fines by County - Schedule 2	6
Schedule of District Court Fines by County - Schedule 3	7

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2014 and 2013
(Unaudited)

	Exhibit A	
Assets	9/30/2014	9/30/2013
Cash and cash equivalents	\$ 34,873,508	\$ 69,857,647
Accrued interest		
Investments	932,499	607,708
Treasurer	7,139	145
Total accrued interest	<u>939,638</u>	<u>607,853</u>
Receivables		
Land sales	89,805	61,257
Fines and penalties	353,000	321,532
Purchased interest	25,170	239,640
Total receivables	<u>467,975</u>	<u>622,429</u>
Investments		
U.S. Government securities	<u>284,830,774</u>	<u>248,835,301</u>
Other Assets		
Due from Component Unit (NCIC)	<u>7,336,411</u>	<u>3,335,476</u>
Total Assets	<u><u>\$ 328,448,306</u></u>	<u><u>\$ 323,258,706</u></u>
 Liabilities		
Accounts Payable	\$ 742	\$ -
Due to (from) the Distributive School Account	1,726,703	2,103,852
Due to heirs	244,940	1,402,249
Total liabilities	<u>1,972,385</u>	<u>3,506,101</u>
 Fund balances		
Nonspendable: Permanent Fund Principal	<u>326,475,921</u>	<u>319,752,605</u>
Total Liabilities and Fund Balances	<u><u>\$ 328,448,306</u></u>	<u><u>\$ 323,258,706</u></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 ended September 30, 2014 and 2013
(Unaudited)

Revenues	Quarter Ended 9/30/2014	<u>Exhibit B</u> Quarter Ended 9/30/2013
Fines - State Penal Laws		
Justice Courts	\$ 958,037	\$ 885,252
District Courts	127,126	120,419
Other Fines and Penalties	2,750	12,500
Total fines	1,087,913	1,018,171
Investment income (loss)	231,554	438,633
Land sales	808,541	91,557
Escheated estates	95	(1,725)
Miscellaneous	2,856	3,774
Total revenues	2,130,959	1,550,410
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(231,554)	(438,633)
Net change in fund balances	1,899,405	1,111,777
Fund balances, beginning of period	324,576,516	318,640,828
Fund balances, end of period	\$ 326,475,921	\$ 319,752,605

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, 2014**

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, 2014, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,005,155. For the quarter ended September 30, 2014, funds held by the State Treasurer earned interest at an effective rate of 0.2251 percent.

Investments:

Investments in U.S. Government Securities 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, 2014**

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, 2014 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$41,500,000	\$34,070,000
Churchill	43,370,000	40,000,000
Douglas	36,000,000	34,805,000
Humboldt	2,950,000	2,515,000
Lincoln	5,759,300	5,397,900
Lyon	47,240,000	35,450,000
Mineral	2,825,000	1,450,000
Nye	43,885,000	39,180,000
Pershing	5,000,000	4,565,000
Storey	11,425,000	8,960,000
Washoe	40,000,000	40,000,000
White Pine	10,890,000	9,085,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2014

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Amortized Cost*</u>	<u>Fair Value</u>
U.S. Government Securities					
Fed. Farm Credit Bank	1.000	12/09/15	\$ 6,420,000	\$ 6,458,662	\$ 6,467,508
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,035,624	10,085,800
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,114,556	8,821,920
Fed. Home Loan Bank Coupon Note	0.125	11/04/14	13,000,000	12,999,428	13,000,260
Fed. Home Loan Bank Coupon Note	4.750	12/12/14	7,000,000	7,003,461	7,061,530
Fed. Home Loan Bank Coupon Note	0.100	03/11/15	3,100,000	3,099,670	3,099,442
Fed. Home Loan Bank Discount Note	0.090	12/26/14	5,000,000	4,998,925	4,999,800
Fed. Home Loan Bank Discount Note	0.120	06/18/15	5,000,000	4,995,667	4,998,000
U.S. Treasury Note	2.375	02/28/15	4,790,000	4,831,427	4,835,840
U.S. Treasury Note	2.375	02/28/15	3,800,000	3,834,895	3,836,366
U.S. Treasury Note	2.375	02/28/15	1,950,000	1,967,849	1,968,662
U.S. Treasury Note	0.250	02/28/15	10,000,000	10,002,121	10,008,600
U.S. Treasury Note	0.250	05/15/15	10,000,000	10,000,524	10,011,700
U.S. Treasury Note	2.125	05/31/15	10,500,000	10,636,052	10,643,115
U.S. Treasury Note	0.250	08/15/15	20,000,000	19,960,505	20,025,000
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,184,523	14,218,318
U.S. Treasury Note	0.250	10/15/15	25,225,000	25,158,392	25,252,495
U.S. Treasury Note	1.250	10/31/15	39,000,000	39,367,135	39,453,960
U.S. Treasury Note	2.625	02/29/16	9,450,000	9,753,007	9,758,921
U.S. Treasury Note	0.375	03/31/16	5,000,000	5,000,366	5,001,150
U.S. Treasury Note	0.250	05/15/16	4,000,000	3,982,923	3,989,080
U.S. Treasury Note	1.750	05/31/16	16,000,000	16,347,494	16,346,240
U.S. Treasury Note	3.250	06/30/16	5,000,000	5,239,420	5,240,050
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,198,090	15,225,839
U.S. Treasury Note	1.000	08/31/16	5,000,000	5,031,716	5,040,650
U.S. Treasury Note	1.000	09/30/16	8,000,000	8,061,764	8,060,000
U.S. Treasury Note	0.875	11/30/16	9,350,000	9,368,591	9,384,315
U.S. Treasury Note	0.875	12/31/16	7,975,000	8,001,999	7,996,213
Total U.S. Government Securities			<u>\$ 281,720,000</u>	<u>\$ 283,634,786</u>	<u>\$ 284,830,774</u>
Cash and Cash Equivalents					
Wells Fargo Advantage Govt. MM Fund	0.010		N/A	21,281,870	21,281,870
Pooled Cash with State Treasurer			N/A	13,591,638	13,591,638
Total Cash and Cash Equivalents			<u>\$ -</u>	<u>\$ 34,873,508</u>	<u>\$ 34,873,508</u>
Private Equity Investments					
Nevada Capital Investment Corporation			N/A	<u>7,336,411</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, 2014 and 2013

	<u>Schedule 2</u>	
County	Ended 9/30/2014	Ended 9/30/2013
Carson City	\$ 4,460	\$ 5,334
Churchill	11,708	12,827
Clark	540,523	454,894
Douglas	4,786	4,380
Elko	49,107	70,983
Esmeralda	10,405	17,787
Eureka	925	764
Lander	627	1,185
Lincoln	4,015	1,800
Lyon	21,103	21,653
Mineral	-	203
Nye	94,233	71,494
Pershing	463	708
Washoe	211,437	218,525
White Pine	4,245	2,715
Total	\$ 958,037	\$ 885,252

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter ended September 30, 2014 and 2013

County	<u>Schedule 3</u>	
	<u>Ended 9/30/2014</u>	<u>Ended 9/30/2013</u>
Carson City	\$ 6,824	\$ 3,855
Churchill	4,570	1,431
Clark	58,756	42,931
Douglas	3,268	6,307
Elko	15,452	19,121
Eureka	25	-
Humboldt	2,170	10,034
Lander	655	920
Lincoln	245	1,600
Lyon	998	927
Mineral	-	47
Nye	2,616	2,445
Pershing	2,000	-
Washoe	25,857	28,003
White Pine	3,690	2,798
Total	<u>\$ 127,126</u>	<u>\$ 120,419</u>