

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2015
(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

GEOFFREY LAWRENCE
Assistant Controller

**OFFICE OF THE
STATE CONTROLLER**

February 4, 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 September 30, 2015.

Sincerely,

A handwritten signature in black ink that reads "Ronald L. Knecht".

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

RK: ss

Office of the Governor (1)
State Board of Education (2)
Department of Administration (2)
Nevada State Treasurer (1)
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, Nevada 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, 2015 and 2014
(Unaudited)

Exhibit A

Assets	<u>9/30/2015</u>	<u>09/30/2014</u>
Cash and cash equivalents	\$ 89,496,902	\$ 34,873,508
Accrued interest		
Investments	956,944	932,499
Treasurer	20,148	7,139
Total accrued interest	<u>977,092</u>	<u>939,638</u>
Receivables		
Land sales	45,555	89,805
Fines and penalties	371,453	353,000
Purchased interest	-	25,170
Total receivables	<u>417,008</u>	<u>467,975</u>
Investments		
Fixed income securities	214,140,008	284,830,774
Equity securities	9,606,733	-
Total investments	<u>223,746,741</u>	<u>284,830,774</u>
Other Assets		
Due from component unit (NCIC)	21,280,117	7,336,411
Total Assets	<u><u>\$ 335,917,860</u></u>	<u><u>\$ 328,448,306</u></u>
Liabilities		
Accounts payable	\$ -	\$ 742
Due to (from) the Distributive School Account	1,071,836	1,726,703
Due to heirs	241,396	244,940
Total liabilities	<u>1,313,232</u>	<u>1,972,385</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>334,604,628</u>	<u>326,475,921</u>
Total Liabilities and Fund Balances	<u><u>\$ 335,917,860</u></u>	<u><u>\$ 328,448,306</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, 2015 and 2014
(Unaudited)

	Quarter Ended 9/30/2015	Exhibit B Quarter Ended 9/30/2014
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 699,285	\$ 958,037
District Courts	143,024	127,126
Other fines and penalties	99,940	2,750
Total fines	942,249	1,087,913
Investment income (loss)	902,656	231,554
Land sales	45,555	808,541
Escheated estates	74,789	95
Miscellaneous	4,577	2,856
Total revenues	1,969,826	2,130,959
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(987,004)	(231,554)
Net change in fund balances	982,822	1,899,405
Fund balances, beginning of period	333,621,806	324,576,516
Fund balances, end of period	\$ 334,604,628	\$ 326,475,921

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, 2015**

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, 2015, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$19,372,795. For the quarter ended September 30, 2015, funds held by the State Treasurer earned interest at an effective rate of 0.43 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, 2015**

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, 2015 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	5,130,600
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	8,660,300
Washoe	40,000,000	40,000,000
White Pine	10,890,000	8,600,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
September 30, 2015

	Stated Interest Rate	Maturity Date	Face Amount	Amortized Cost*	Schedule 1 Fair Value
Fixed Income Securities					
Fed. Farm Credit Bank	1.000	12/09/15	\$ 6,420,000	\$ 6,426,143	\$ 6,430,208
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,011,742	10,041,300
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,057,436	8,445,920
Fed. Home Loan Bank Callable Note	0.750	07/28/17	25,000,000	24,994,931	25,028,250
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	20,000,000	20,000,000	20,058,200
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	18,000,000	18,000,000	18,052,380
Fed. Home Loan Mtg. Corp Callable	2.105	10/23/20	25,000,000	25,000,000	25,026,750
Fed. Home Loan Mtg. Corp Callable	2.105	10/23/20	25,000,000	25,000,000	25,026,750
Fed. Home Loan Mtg. Corp Callable	0.780	07/27/17	25,000,000	25,000,000	25,000,750
Fed. Home Loan Mtg. Corp Callable	0.750	04/28/17	25,000,000	25,000,000	25,010,500
Fed. Home Loan Mtg. Corp Callable	0.800	07/28/17	26,050,000	26,050,000	26,019,000
Total Fixed Income Securities			<u>\$ 213,470,000</u>	<u>\$ 213,540,252</u>	<u>\$ 214,140,008</u>
Cash and Cash Equivalents					
Morgan Stanley Global Liquid	0.040		N/A	\$ 70,132,038	\$ 70,132,038
Pooled Cash with State Treasurer			N/A	19,364,864	19,364,864
Total Cash and Cash Equivalents				<u>\$ 89,496,902</u>	<u>\$ 89,496,902</u>
Equity Securities					
Vanguard Inst Index Fund Inst			N/A	\$ 7,900,000	\$ 7,598,903
Vanguard S&P Mid-Cap 400 Index Ist			N/A	1,400,000	1,332,317
Vanguard S&P Small-Cap 600 Index Ist			N/A	700,000	675,513
Total Equity Securities				<u>\$ 10,000,000</u>	<u>\$ 9,606,733</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation			N/A	<u>\$ 21,280,117</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, 2015 and 2014

County	Schedule 2	
	Quarter Ended 9/30/2015	Quarter Ended 9/30/2014
Carson City	\$ 7,379	\$ 4,460
Churchill	11,518	11,708
Clark	307,362	540,523
Douglas	2,654	4,786
Elko	31,196	49,107
Esmeralda	29,032	10,405
Eureka	1,555	925
Lander	1,426	627
Lincoln	835	4,015
Lyon	15,170	21,103
Mineral	248	-
Nye	78,080	94,233
Pershing	920	463
Washoe	206,560	211,437
White Pine	5,350	4,245
Total	\$ 699,285	\$ 958,037

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter Ended September 30, 2015 and 2014

County	<u>Schedule 3</u>	
	<u>Quarter Ended 9/30/2015</u>	<u>Quarter Ended 9/30/2014</u>
Carson City	\$ 1,708	\$ 6,824
Churchill	6,674	4,570
Clark	83,164	58,756
Douglas	5,332	3,268
Elko	7,503	15,452
Esmeralda	50	-
Eureka	-	25
Humboldt	2,912	2,170
Lander	-	655
Lincoln	150	245
Lyon	995	998
Nye	1,150	2,616
Pershing	1,238	2,000
Washoe	30,453	25,857
White Pine	1,695	3,690
Total	<u>\$ 143,024</u>	<u>\$ 127,126</u>