

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2013
(Unaudited)

KIM R. WALLIN, CMA, CFM, CPA
STATE CONTROLLER
CARSON CITY, NEVADA



**OFFICE OF THE
STATE CONTROLLER**

February 27, 2014

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 December 31, 2013.

Sincerely,

A handwritten signature in black ink that reads "Kim R. Wallin".

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW: ceb

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
December 31, 2013 and 2012
(Unaudited)

Exhibit A

Assets	<u>12/31/13</u>	<u>12/31/12</u>
Cash and cash equivalents	\$ 62,472,153	\$ 156,337,978
Accrued interest		
Investments	434,817	429,206
Treasurer	11,548	15,365
Total accrued interest	<u>446,365</u>	<u>444,571</u>
Receivables		
Land sales	468,327	76,394
Fines and penalties	323,528	402,308
Purchased interest	11,481	165,277
Total receivables	<u>803,336</u>	<u>643,979</u>
Investments		
U.S. Government securities	<u>256,958,161</u>	<u>161,375,885</u>
Other Assets		
Due from Component Unit (NCIC)	<u>4,304,686</u>	<u>-</u>
Total Assets	<u><u>\$ 324,984,701</u></u>	<u><u>\$ 318,802,413</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 2,428,790	\$ 1,278,988
Due to heirs	1,418,284	1,644,704
Due to other funds	-	1,587
Total liabilities	<u>3,847,074</u>	<u>2,925,279</u>
 Fund balances		
Nonspendable: Permanent Fund Principal	<u>321,137,627</u>	<u>315,877,134</u>
Total Liabilities and Fund Balances	<u><u>\$ 324,984,701</u></u>	<u><u>\$ 318,802,413</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 and six months ended December 31, 2013
(Unaudited)

	<u>Quarter Ended 12/31/2013</u>	<u>Six Months Ended 12/31/2013</u>
		<u>Exhibit B</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 778,411	\$ 1,663,663
District Courts	129,740	250,159
Other Fines and Penalties	1,000	13,500
	<hr/>	<hr/>
Total fines	909,151	1,927,322
Investment income (loss)	324,938	763,571
Land sales	468,327	559,884
Escheated estates	4,790	3,065
Miscellaneous	2,754	6,528
	<hr/>	<hr/>
Total revenues	<u>1,709,960</u>	<u>3,260,370</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(324,938)</u>	<u>(763,571)</u>
 Net change in fund balances	1,385,022	2,496,799
Fund balances, beginning of period	<u>319,752,605</u>	<u>318,640,828</u>
 Fund balances, December 31	<u><u>\$ 321,137,627</u></u>	<u><u>\$ 321,137,627</u></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 DECEMBER 31, 2013**

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:

For the quarter ended December 31, 2013, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,822,892. 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 December 31, 2013, funds held by the State Treasurer earned interest at an effective rate of 0.3907 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)

**STATE OF NEVADA
PERMANENT SCHOOL FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2013**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues: (continued)

- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- 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 December 31, 2013 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$43,615,000	\$35,205,000
Churchill	39,675,000	32,805,000
Douglas	36,000,000	35,335,000
Humboldt	2,950,000	2,630,000
Lincoln	5,759,300	5,437,900
Lyon	47,665,000	37,800,000
Mineral	2,825,000	1,915,000
Nye	43,885,000	39,670,000
Pershing	5,000,000	4,775,000
Storey	11,425,000	9,495,000
White Pine	3,890,000	2,555,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
December 31, 2013

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	5.875	10.03/16	\$ 8,000,000	\$ 8,157,395	\$ 9,103,600
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,053,535	10,131,000
Fed. Farm Credit Bank	1.000	12/09/15	6,420,000	6,483,052	6,493,894
Fed. Home Loan Bank Coupon Note	4.750	12/12/14	7,000,000	7,016,623	7,296,030
Fed. Home Loan Bank Coupon Note	0.125	03/27/14	20,000,000	20,000,424	19,999,800
Fed. Home Loan Bank Coupon Note	0.120	08/25/14	17,000,000	16,996,438	16,995,750
Fed. Home Loan Bank Coupon Note	0.125	11/04/14	13,000,000	12,994,748	12,994,020
Federal Home Loan Bank Discount Note	0.060	02/21/14	14,000,000	13,998,810	13,999,440
Federal Home Loan Bank Callable	0.400	12/24/15	7,500,000	7,480,219	7,496,700
U.S. Treasury Note	0.250	08/15/15	20,000,000	19,926,599	19,992,200
U.S. Treasury Note	0.250	10/15/15	25,225,000	25,110,413	25,192,460
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,295,248	15,301,238
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,172,416	14,188,356
U.S. Treasury Note	2.375	02/28/15	4,790,000	4,906,823	4,909,941
U.S. Treasury Note	0.250	06/30/14	13,195,000	13,202,531	13,205,292
U.S. Treasury Note	1.250	10/31/15	39,000,000	39,620,876	39,645,840
U.S. Treasury Note	0.250	02/28/15	10,000,000	10,005,981	10,006,300
U.S. Treasury Note	0.250	05/15/15	10,000,000	10,001,158	10,006,300
Total U.S. Government Securities			<u>\$ 254,290,000</u>	<u>\$ 255,423,289</u>	<u>\$ 256,958,161</u>
Cash and Cash Equivalents					
Federal Home Loan Bank	0.065	02/05/14	30,301,000	30,299,085	30,300,091
Wells Fargo Advantage Govt. MM Fund			N/A	21,533,363	21,533,363
Pooled Cash with State Treasurer			N/A	10,638,699	10,638,699
Total Cash and Cash Equivalents			<u>\$ 30,301,000</u>	<u>\$ 62,471,147</u>	<u>\$ 62,472,153</u>

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2013

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/13	Six Months Ending 12/31/2013
Carson City	\$ 4,861	\$ 10,195
Churchill	8,839	21,666
Clark	390,567	845,461
Douglas	4,358	8,738
Elko	29,062	100,045
Esmeralda	15,854	33,641
Eureka	525	1,289
Lander	739	1,924
Lincoln	1,850	3,650
Lyon	22,608	44,261
Mineral	-	203
Nye	77,914	149,408
Pershing	215	923
Washoe	216,739	435,264
White Pine	4,280	6,995
Total	\$ 778,411	\$ 1,663,663

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2013

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/13	Six Months Ended 12/31/13
Carson City	\$ 2,936	\$ 6,791
Churchill	6,960	8,391
Clark	46,772	89,703
Douglas	2,611	8,918
Elko	17,095	36,216
Humboldt	5,453	15,487
Lander	165	1,085
Lincoln	765	2,365
Lyon	1,495	2,422
Mineral	-	47
Nye	490	2,935
Pershing	1,000	1,000
Washoe	42,549	70,552
White Pine	1,449	4,247
Total	\$ 129,740	\$ 250,159