

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 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**

March 11, 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 December 31, 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)
Governor's Office of Finance (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
December 31, 2015 and 2014
(Unaudited)

Exhibit A

Assets	<u>12/31/2015</u>	<u>12/31/2014</u>
Cash and cash equivalents	\$ 222,766,651	\$ 56,793,610
Accrued interest		
Investments	368,857	644,026
Treasurer	18,137	21,815
Total accrued interest	<u>386,994</u>	<u>665,841</u>
Receivables		
Land sales	-	990,814
Fines and penalties	237,157	272,177
Total receivables	<u>237,157</u>	<u>1,262,991</u>
Investments		
Fixed income securities	81,112,310	259,144,698
Equity securities	10,136,769	-
Total investments	<u>91,249,079</u>	<u>259,144,698</u>
Other Assets		
Due from component unit (NCIC)	22,665,675	13,172,870
Total Assets	<u>\$ 337,305,556</u>	<u>\$ 331,040,010</u>
Liabilities		
Due to (from) the Distributive School Account	\$ 1,588,620	\$ 1,905,989
Due to heirs	267,034	255,689
Total liabilities	<u>1,855,654</u>	<u>2,161,678</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>335,449,902</u>	<u>328,878,332</u>
Total Liabilities and Fund Balances	<u>\$ 337,305,556</u>	<u>\$ 331,040,010</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, 2015
(Unaudited)

	Quarter Ended 12/31/2015	Exhibit B Six Months Ended 12/31/2015
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 679,634	\$ 1,378,919
District Courts	141,934	284,958
Other fines and penalties	15,068	115,008
Total fines	836,636	1,778,885
Investment income (loss)	516,784	1,419,440
Land sales	-	45,555
Escheated estates	7,658	(1,901)
Miscellaneous	980	5,557
Total revenues	<u>1,362,058</u>	<u>3,247,536</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(516,784)</u>	<u>(1,419,440)</u>
 Net change in fund balances	845,274	1,828,096
Fund balances, beginning of period	<u>334,604,628</u>	<u>333,621,806</u>
 Fund balances, end of period	<u><u>\$ 335,449,902</u></u>	<u><u>\$ 335,449,902</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, 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 December 31, 2015, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$20,054,429. For the quarter ended December 31, 2015, funds held by the State Treasurer earned interest at an effective rate of 0.37 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 DECEMBER 31, 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 December 31, 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	4,906,200
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	8,660,300
Washoe	40,000,000	40,000,000
White Pine	10,890,000	8,600,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
December 31, 2015

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Fixed Income Securities					
Fed. Farm Credit Bank	1.050	03/28/16	\$ 10,000,000	\$ 10,005,771	\$ 10,015,300
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,043,157	8,309,680
Fed. Home Loan Bank Callable Note	0.750	07/28/17	25,000,000	24,995,625	24,895,250
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	20,000,000	20,000,000	19,943,200
Fed. Home Loan Mtg. Corp Callable	0.850	07/28/17	18,000,000	18,000,000	17,948,880
Total Fixed Income Securities			<u>\$ 81,000,000</u>	<u>\$ 81,044,553</u>	<u>\$ 81,112,310</u>
Cash and Cash Equivalents					
Federal Home Loan Bank	0.240	01/27/16	\$ 30,000,000	\$ 29,994,800	\$ 29,997,000
Federal Home Loan Bank	0.300	02/29/16	30,000,000	29,985,250	29,988,300
Morgan Stanley Global Liquid	0.040	N/A	N/A	142,401,404	142,401,404
Pooled Cash with State Treasurer	N/A	N/A	N/A	20,379,947	20,379,947
Total Cash and Cash Equivalents			<u>\$ 60,000,000</u>	<u>\$ 222,761,401</u>	<u>\$ 222,766,651</u>
Equity Securities					
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 7,900,000	\$ 8,084,991
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	1,400,000	1,360,276
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	700,000	691,502
Total Equity Securities				<u>\$ 10,000,000</u>	<u>\$ 10,136,769</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 22,665,675</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 and six months ended December 31, 2015

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2015	Six Months Ended 12/31/2015
Carson City	\$ 4,366	\$ 11,745
Churchill	12,355	23,873
Clark	274,547	581,909
Douglas	1,628	4,282
Elko	38,086	69,282
Esmeralda	17,942	46,974
Eureka	570	2,125
Lander	320	1,746
Lincoln	-	835
Lyon	13,032	28,202
Mineral	253	501
Nye	86,425	164,505
Pershing	355	1,275
Washoe	227,718	434,278
White Pine	2,037	7,387
Total	\$ 679,634	\$ 1,378,919

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2015

	<u>Schedule 3</u>	
County	Quarter Ended 12/31/2015	Six Months Ended 12/31/2015
Carson City	\$ 3,560	\$ 5,268
Churchill	5,563	12,237
Clark	83,561	166,725
Douglas	1,348	6,680
Elko	16,964	24,467
Esmeralda	-	50
Humboldt	3,465	6,377
Lincoln	1,225	1,375
Lyon	50	1,045
Nye	610	1,760
Pershing	200	1,438
Washoe	24,949	55,402
White Pine	439	2,134
Total	\$ 141,934	\$ 284,958