

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2017
(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**

June 21, 2017

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, 2017.

Sincerely,

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

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

RK: mw

Office of the Governor (1)
State Board of Education (2)
Governor's Office of Finance (2)
Nevada State Treasurer (1)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2017 and 2016
(Unaudited)

Exhibit A

Assets	<u>03/31/2017</u>	<u>03/31/2016</u>
Cash and cash equivalents	\$ 70,165,477	\$ 91,894,432
Accrued interest		
Investments	326,610	716,127
Treasurer	29,572	31,165
Total accrued interest	<u>356,182</u>	<u>747,292</u>
Receivables		
Land sales	62,991	-
Fines and penalties	372,569	259,348
Purchased interest	-	253,759
Other receivables	-	42,287
Total receivables	<u>435,560</u>	<u>555,394</u>
Investments		
Fixed income securities	214,949,920	210,039,600
Equity securities	30,467,563	10,266,948
Total investments	<u>245,417,483</u>	<u>220,306,548</u>
Other Assets		
Due from component unit (NCIC)	35,902,660	26,230,778
Total Assets	<u><u>\$ 352,277,362</u></u>	<u><u>\$ 339,734,444</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 3,239,538	\$ 1,814,967
Due to heirs	347,085	315,671
Due to General Fund	990	-
Total liabilities	<u>3,587,613</u>	<u>2,130,638</u>
Fund Balances		
Nonspendable: permanent fund principal	348,689,749	337,603,806
Total Liabilities and Fund Balances	<u><u>\$ 352,277,362</u></u>	<u><u>\$ 339,734,444</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 nine months ended March 31, 2017
(Unaudited)

	Quarter Ended 3/31/2017	Exhibit B Nine Months Ended 3/31/2017
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 806,265	\$ 2,251,414
District Courts	186,343	459,249
Other fines and penalties	8,455	71,780
Total fines	1,001,063	2,782,443
Investment income (loss)	1,811,924	3,687,949
Land sales	62,991	4,726,689
Escheated estates	12,691	(34,744)
Gifts and donations	88,696	88,696
Miscellaneous	2,532	3,836
Total revenues	2,979,897	11,254,869
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(1,811,924)	(3,687,829)
Net change in fund balances	1,167,973	7,567,040
Fund balances, beginning of period	347,521,776	341,122,709
Fund balances, end of period	\$ 348,689,749	\$ 348,689,749

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, 2017**

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, 2017, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$15,640,528, and funds held by the State Treasurer earned interest at an effective rate of 0.79 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, 2017**

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, 2017 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$51,060,000	\$28,425,000
Churchill	43,370,000	37,405,000
Douglas	36,000,000	32,810,000
Humboldt	2,950,000	2,270,000
Lincoln	5,759,300	4,545,400
Lyon	41,060,000	37,430,000
Mineral	2,825,000	495,000
Nye	52,120,000	36,380,000
Pershing	4,725,000	4,125,000
Storey	11,220,300	7,644,500
Washoe	40,000,000	40,000,000
White Pine	<u>10,890,000</u>	<u>8,095,000</u>
 Total	 <u>\$301,979,600</u>	 <u>\$239,624,900</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
March 31, 2017

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Fixed Income Securities					
Farmer Mac	0.920	06/30/17	\$ 29,000,000	\$ 29,000,000	\$ 28,997,970
Fed. Home Loan Bank	1.125	12/08/17	29,000,000	29,019,070	29,015,080
Farmer Mac	0.550	04/28/17	15,000,000	14,993,813	14,992,800
Fed. Home Loan Bank	0.600	05/25/17	25,000,000	24,977,500	24,973,750
Fed. Home Loan Bank	0.630	07/19/17	25,000,000	24,952,313	24,942,000
Fed. Home Loan Bank	0.640	08/01/17	25,000,000	24,945,778	24,934,250
U.S. Treasury Note	1.375	06/30/18	29,000,000	29,098,395	29,083,810
Fed. Home Loan Mtg. Corp	0.850	07/28/17	20,000,000	20,000,000	20,005,400
Fed. Home Loan Mtg. Corp	0.850	07/28/17	18,000,000	18,000,000	18,004,860
Total Fixed Income Securities			<u>\$ 215,000,000</u>	<u>\$ 214,986,867</u>	<u>\$ 214,949,920</u>
Cash and Cash Equivalents					
Fed. Home Loan Bank	0.510	04/21/17	10,000,000	\$ 9,997,167	\$ 9,996,600
Morgan Stanley Global Liquid	0.610	N/A	N/A	49,293,004	49,293,004
Pooled Cash with State Treasurer	N/A	N/A	N/A	10,875,874	10,875,874
Total Cash and Cash Equivalents				<u>\$ 70,166,045</u>	<u>\$ 70,165,477</u>
Equity Securities					
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 22,225,000	\$ 24,056,830
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	3,938,000	4,252,493
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	1,969,000	2,158,239
Total Equity Securities				<u>\$ 28,132,000</u>	<u>\$ 30,467,563</u>
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 35,902,660</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 nine months ended March 31, 2017

County	Schedule 2	
	Quarter Ended 3/31/2017	Nine Months Ended 3/31/2017
Carson City	\$ 4,149	\$ 8,571
Churchill	17,907	41,899
Clark	356,452	1,003,818
Douglas	294	3,315
Elko	46,454	122,834
Esmeralda	19,098	40,333
Eureka	65	1,790
Lander	195	415
Lincoln	165	1,333
Lyon	14,403	41,845
Mineral	7	6,583
Nye	91,889	247,937
Pershing	959	1,783
Washoe	249,238	716,974
White Pine	4,990	11,984
Total	\$ 806,265	\$ 2,251,414

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and nine months ended March 31, 2017

County	Schedule 3	
	Quarter Ended 3/31/2017	Nine Months Ended 3/31/2017
Carson City	\$ 7,759	\$ 11,381
Churchill	4,671	15,284
Clark	97,133	239,955
Douglas	4,665	11,472
Elko	7,231	22,535
Esmeralda	2,000	2,000
Humboldt	4,160	8,639
Lander	295	5,985
Lincoln	2,250	3,425
Lyon	3,834	15,097
Mineral	631	631
Nye	8,764	17,281
Pershing	15,438	25,038
Washoe	25,787	77,396
White Pine	1,725	3,130
Total	\$ 186,343	\$ 459,249