

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2018
(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



**OFFICE OF THE
STATE CONTROLLER**

September 17, 2018

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, 2018.

Sincerely,

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

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

RK: dc

Office of the Governor (1)
Governor's Office of Finance (2)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2018 and 2017
(Unaudited)

Exhibit A

Assets	<u>3/31/2018</u>	<u>3/31/2017</u>
Cash and cash equivalents	\$ 16,081,865	\$ 70,165,477
Accrued interest		
Investments	141,821	326,610
Treasurer	57,505	29,572
Total accrued interest	<u>199,326</u>	<u>356,182</u>
Receivables		
Land sales	165,730	62,991
Fines and penalties	382,961	372,569
Total receivables	<u>548,691</u>	<u>435,560</u>
Investments		
Fixed income securities	204,025,523	214,949,920
Equity securities	110,436,534	30,467,563
Total investments	<u>314,462,057</u>	<u>245,417,483</u>
Other Assets		
Due from component unit (NCIC)	39,247,663	35,902,660
Total Assets	<u>\$ 370,539,602</u>	<u>\$ 352,277,362</u>
Liabilities		
Due to (from) the Distributive School Account	\$ 11,002,106	\$ 3,239,538
Due to heirs	657,627	347,085
Due to General Fund	-	990
Total liabilities	<u>11,659,733</u>	<u>3,587,613</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>358,879,870</u>	<u>348,689,749</u>
Total Liabilities and Fund Balances	<u>\$ 370,539,603</u>	<u>\$ 352,277,362</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, 2018
(Unaudited)

	<u>Exhibit B</u>	
	<u>Quarter Ended 3/31/2018</u>	<u>Nine Months Ended 3/31/2018</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 835,260	\$ 2,307,462
District Courts	198,135	572,065
Other fines and penalties	25,690	151,475
Total fines	1,059,085	3,031,002
Investment income (loss)	232,735	10,968,092
Land sales	754,155	5,000,230
Escheated estates	83,693	45,171
Miscellaneous	-	1,271
Total revenues	2,129,668	19,045,766
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(232,735)	(10,968,092)
Net change in fund balances	1,896,933	8,077,674
Fund balances, beginning of period	356,982,937	350,802,196
Fund balances, end of period	\$ 358,879,870	\$ 358,879,870

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, 2018**

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, 2018, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$15,803,767 and funds held by the State Treasurer earned interest at an effective rate of 1.58 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, 2018**

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, 2018 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$51,060,000	\$13,485,000
Churchill	43,370,000	35,605,000
Douglas	36,000,000	31,680,000
Humboldt	2,950,000	2,140,000
Lincoln	5,759,300	4,235,400
Lyon	58,960,000	37,635,000
Mineral	2,500,000	2,500,000
Nye	52,120,000	34,730,000
Pershing	4,725,000	3,890,000
Storey	11,220,300	7,098,300
Washoe	40,000,000	40,000,000
White Pine	<u>10,890,000</u>	<u>7,560,000</u>
 Total	 <u>\$319,554,600</u>	 <u>\$220,558,700</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
March 31, 2018

					<u>Schedule 1</u>
	<u>Stated</u>				
	<u>Interest</u>	<u>Maturity</u>	<u>Face</u>	<u>Amortized</u>	<u>Fair</u>
	<u>Rate</u>	<u>Date</u>	<u>Amount</u>	<u>Cost*</u>	<u>Value</u>
Fixed Income Securities					
Fed. Home Loan Bank	1.125	06/05/18	\$ 9,600,000	\$ 9,598,769	\$ 9,588,576
FARMER MAC	1.740	07/26/18	26,000,000	25,854,227	25,851,280
Fed. Home Loan Bank	1.360	04/25/18	26,000,000	25,976,427	25,972,440
Fed. Home Loan Bank	1.445	05/29/18	9,000,000	8,979,047	8,975,790
Fed. Home Loan Bank	1.460	05/31/18	25,000,000	24,939,167	24,930,250
Fed. Home Loan Bank	1.880	10/04/18	8,000,000	7,922,293	7,919,840
Fed. Home Loan Mtg. Corp	1.100	04/05/18	20,000,000	19,997,555	19,997,200
Fed. Home Loan Mtg. Corp	1.320	04/23/18	26,000,000	25,979,027	25,974,780
U.S. Treasury Notes	1.375	06/30/18	29,000,000	29,019,463	28,968,680
U.S. Treasury Bill	1.830	07/26/18	26,000,000	25,846,687	25,846,687
			<u>\$ 204,600,000</u>	<u>\$ 204,112,662</u>	<u>\$ 204,025,523</u>
Total Fixed Income Securities					
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	N/A	N/A	N/A	\$ 15,512,933	\$ 15,512,933
Invesco	1.550	N/A	N/A	568,932	568,932
				<u>\$ 16,081,865</u>	<u>\$ 16,081,865</u>
Total Cash and Cash Equivalents					
Equity Securities					
Vanguard Inst Index Fund Inst Plus	N/A	N/A	N/A	\$ 79,525,000	\$ 87,302,305
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	14,090,000	15,310,213
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	7,045,000	7,824,016
				<u>\$ 100,660,000</u>	<u>\$ 110,436,534</u>
Total Equity Securities					
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 39,247,663</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, 2018

County	Schedule 2	
	Quarter Ended 3/31/2018	Nine Months Ended 3/31/2018
Carson City	\$ 6,572	\$ 14,624
Churchill	15,139	39,901
Clark	394,143	1,067,868
Douglas	2,714	5,182
Elko	37,003	115,372
Esmeralda	12,927	62,505
Eureka	2,391	9,341
Lander	135	203
Lincoln	930	1,875
Lyon	14,405	38,158
Mineral	300	1,703
Nye	103,325	277,862
Pershing	630	1,426
Washoe	241,761	661,097
White Pine	2,885	10,345
Total	\$ 835,260	\$ 2,307,462

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and nine months ended March 31, 2018

County	Schedule 3	
	Quarter Ended 3/31/2018	Nine Months Ended 3/31/2018
Carson City	\$ 7,379	\$ 20,948
Churchill	5,945	14,111
Clark	95,254	264,575
Douglas	4,250	17,740
Elko	14,730	49,087
Esmeralda	-	1,000
Humboldt	2,778	10,217
Lander	4,295	5,565
Lincoln	75	2,450
Lyon	2,680	9,909
Mineral	4,540	7,423
Nye	3,732	12,134
Pershing	925	32,283
Washoe	46,706	113,923
White Pine	4,846	10,700
Total	\$ 198,135	\$ 572,065