

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED JUNE 30, 2014
(Unaudited)

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



**OFFICE OF THE
STATE CONTROLLER**

August 19, 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 and year ended June 30, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Kim R. Wallin".

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

KRW: ceb

Office of the Governor (1)
State Board of Education (2)
Department of Administration (2)
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
June 30, 2014 and 2013
(Unaudited)

Exhibit A

Assets	06/30/2014	06/30/2013
Cash and cash equivalents	\$ 46,214,831	\$ 142,796,218
Accrued interest		
Investments	686,284	306,075
Treasurer	13,255	9,898
Total accrued interest	699,539	315,973
Receivables		
Land sales	60,583	297,670
Fines and penalties	384,902	372,299
Purchased interest	7,284	64,727
Total receivables	452,769	734,696
Investments		
U.S. Government securities	274,075,515	175,583,889
Other Assets		
Due from Component Unit (NCIC)	5,402,968	2,285,904
Total Assets	\$ 326,845,622	\$ 321,716,680
Liabilities		
Accounts Payable	\$ -	\$ 2,608
Due to (from) the Distributive School Account	2,024,484	1,665,219
Due to heirs	244,622	1,408,025
Total liabilities	2,269,106	3,075,852
Fund balances		
Nonspendable: Permanent Fund Principal	324,576,516	318,640,828
Total Liabilities and Fund Balances	\$ 326,845,622	\$ 321,716,680

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 year ended June 30, 2014
(Unaudited)

	Quarter Ended 6/30/2014	<u>Exhibit B</u> Year Ended 6/30/2014
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 990,554	\$ 3,519,708
District Courts	169,686	576,220
Other Fines and Penalties	75,900	139,550
Total fines	1,236,140	4,235,478
Investment income (loss)	560,138	1,654,534
Land sales	1,045,175	1,932,509
Escheated estates	(251,114)	(260,417)
Miscellaneous	1,836	28,118
Total revenues	2,592,175	7,590,222
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(560,138)	(1,654,534)
Net change in fund balances	2,032,037	5,935,688
Fund balances, beginning of period	322,544,479	318,640,828
Fund balances, June 30	\$ 324,576,516	\$ 324,576,516

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 and YEAR ENDED JUNE 30, 2014**

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 June 30, 2014, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,568,751. For the quarter ended June 30, 2014, funds held by the State Treasurer earned interest at an effective rate of 0.3547 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)
- 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 and YEAR ENDED JUNE 30, 2014**

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 June 30, 2014 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$43,615,000	\$34,070,000
Churchill	39,675,000	30,685,000
Douglas	36,000,000	34,805,000
Humboldt	2,950,000	2,515,000
Lincoln	5,759,300	5,397,900
Lyon	47,665,000	35,450,000
Mineral	2,825,000	1,450,000
Nye	43,885,000	39,180,000
Pershing	5,000,000	4,565,000
Storey	11,425,000	8,960,000
White Pine	3,890,000	2,085,000

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
June 30, 2014

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	1.000	12/09/15	\$ 6,420,000	\$ 6,466,792	\$ 6,484,714
Fed. Farm Credit Bank	1.050	03/28/16	10,000,000	10,041,594	10,116,000
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,128,835	8,932,800
Fed. Home Loan Bank Coupon Note	0.120	08/25/14	17,000,000	16,999,178	17,001,190
Fed. Home Loan Bank Coupon Note	0.125	11/04/14	13,000,000	12,997,868	12,997,790
Fed. Home Loan Bank Coupon Note	4.750	12/12/14	7,000,000	7,007,849	7,145,530
U.S. Treasury Note	0.125	07/31/14	3,000,000	3,000,132	3,000,000
U.S. Treasury Note	2.375	02/28/15	4,790,000	4,856,835	4,862,425
U.S. Treasury Note	2.375	02/28/15	3,800,000	3,856,297	3,857,456
U.S. Treasury Note	2.375	02/28/15	1,950,000	1,978,796	1,979,484
U.S. Treasury Note	0.250	02/28/15	10,000,000	10,003,422	10,010,500
U.S. Treasury Note	0.250	05/15/15	10,000,000	10,000,738	10,012,500
U.S. Treasury Note	2.125	05/31/15	10,500,000	10,687,774	10,690,365
U.S. Treasury Note	0.250	08/15/15	20,000,000	19,949,079	20,018,800
U.S. Treasury Note	0.250	09/15/15	14,200,000	14,180,443	14,214,484
U.S. Treasury Note	0.250	10/15/15	25,225,000	25,142,223	25,249,720
U.S. Treasury Note	1.250	10/31/15	39,000,000	39,452,644	39,548,340
U.S. Treasury Note	2.625	02/29/16	9,450,000	9,807,032	9,812,880
U.S. Treasury Note	0.250	05/15/16	4,000,000	3,980,269	3,988,760
U.S. Treasury Note	1.750	05/31/16	16,000,000	16,400,075	16,404,960
U.S. Treasury Note	1.500	07/31/16	14,960,000	15,230,832	15,270,869
U.S. Treasury Note	1.000	08/31/16	5,000,000	5,035,885	5,051,550
U.S. Treasury Note	0.875	11/30/16	9,350,000	9,370,753	9,407,689
U.S. Treasury Note	0.875	12/31/16	7,975,000	8,005,021	8,016,709
Total U.S. Government Securities			<u>\$ 270,620,000</u>	<u>\$ 272,580,366</u>	<u>\$ 274,075,515</u>
Cash and Cash Equivalents					
Wells Fargo Advantage Govt. MM Fund	0.010		N/A	\$ 34,248,489	\$ 34,248,489
Pooled Cash with State Treasurer			N/A	11,966,342	11,966,342
Total Cash and Cash Equivalents			<u>\$ -</u>	<u>\$ 46,214,831</u>	<u>\$ 46,214,831</u>

* Values do not include purchased interest

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and year ended June 30, 2014

County	Quarter Ended 6/30/2014	<u>Schedule 2</u> Year Ended 6/30/2014
Carson City	\$ 7,279	\$ 23,872
Churchill	14,747	51,280
Clark	573,197	1,843,516
Douglas	3,271	17,350
Elko	39,879	187,925
Esmeralda	7,329	49,897
Eureka	1,266	2,745
Lander	1,102	4,285
Lincoln	435	5,900
Lyon	20,618	85,110
Mineral	203	406
Nye	105,627	342,367
Pershing	500	1,618
Washoe	210,201	888,372
White Pine	4,900	15,065
Total	\$ 990,554	\$ 3,519,708

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and year ended June 30, 2014

	<u>Schedule 3</u>	
County	Quarter Ended 6/30/2014	Year Ended 6/30/2014
Carson City	\$ 2,699	\$ 13,129
Churchill	3,013	13,054
Clark	81,607	247,581
Douglas	3,962	21,163
Elko	7,197	64,616
Esmeralda	-	13
Humboldt	7,060	27,240
Lander	325	1,710
Lincoln	295	3,785
Lyon	970	4,304
Mineral	-	67
Nye	2,300	7,025
Pershing	905	3,275
Washoe	55,445	158,243
White Pine	3,908	11,015
Total	\$ 169,686	\$ 576,220