

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2015
(Unaudited)

RON KNECHT, MS, JD, PE (CA)
STATE CONTROLLER
CARSON CITY, NEVADA



**OFFICE OF THE
STATE CONTROLLER**

September 2, 2015

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 June 30, 2015.

Sincerely,

A handwritten signature in blue 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)
Department of Administration (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
June 30, 2015 and 2014
(Unaudited)

Exhibit A

| Assets | <u>6/30/2015</u> | <u>06/30/2014</u> |
|---|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 75,825,753 | \$ 46,214,831 |
| Accrued interest | | |
| Investments | 733,335 | 686,284 |
| Treasurer | 18,174 | 13,255 |
| Total accrued interest | <u>751,509</u> | <u>699,539</u> |
| Receivables | | |
| Land sales | 2,433,269 | 60,583 |
| Fines and penalties | 301,908 | 384,902 |
| Purchased interest | 850 | 7,284 |
| Total receivables | <u>2,736,027</u> | <u>452,769</u> |
| Investments | | |
| U.S. Government securities | <u>235,402,579</u> | <u>274,075,515</u> |
| Other Assets | | |
| Due from Component Unit (NCIC) | <u>20,496,002</u> | <u>5,402,968</u> |
| Total Assets | <u><u>\$ 335,211,870</u></u> | <u><u>\$ 326,845,622</u></u> |
| Liabilities | | |
| Accounts Payable | \$ 5,281 | \$ - |
| Due to (from) the Distributive School Account | 1,278,439 | 2,024,484 |
| Due to heirs | 306,344 | 244,622 |
| Total liabilities | <u>1,590,064</u> | <u>2,269,106</u> |
| Fund balances | | |
| Nonspendable: Permanent Fund Principal | <u>333,621,806</u> | <u>324,576,516</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 335,211,870</u></u> | <u><u>\$ 326,845,622</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 year ended June 30, 2015
(Unaudited)

| | <u>Quarter Ended 6/30/2015</u> | <u>Year Ended 6/30/2015</u> |
|--|--|-------------------------------------|
| <u>Exhibit B</u> | | |
| Revenues | | |
| Fines - State Penal Laws | | |
| Justice Courts | \$ 783,052 | \$ 3,352,002 |
| District Courts | 137,654 | 581,859 |
| Other Fines and Penalties | 6,345 | 138,270 |
| | <hr/> | <hr/> |
| Total fines | 927,051 | 4,072,131 |
| Investment income (loss) | 375,741 | 1,351,353 |
| Land sales | 2,433,269 | 4,921,725 |
| Escheated estates | 11,345 | 34,153 |
| Miscellaneous | 6,163 | 17,281 |
| | <hr/> | <hr/> |
| Total revenues | <u>3,753,569</u> | <u>10,396,643</u> |
| Other Financing Sources (Uses) | | |
| Transfer (to) from Distributive School Account | <u>(375,741)</u> | <u>(1,351,353)</u> |
| Net change in fund balances | 3,377,828 | 9,045,290 |
| Fund balances, beginning of period | <u>330,243,978</u> | <u>324,576,516</u> |
| Fund balances, end of period | <u><u>\$ 333,621,806</u></u> | <u><u>\$ 333,621,806</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 JUNE 30, 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 June 30, 2015, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$17,421,445. For the quarter ended June 30, 2015, funds held by the State Treasurer earned interest at an effective rate of 0.43 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 ENDED JUNE 30, 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 June 30, 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 | 5,130,600 |
| Lyon | 47,240,000 | 33,145,000 |
| Mineral | 2,825,000 | 980,000 |
| Nye | 44,185,000 | 38,765,000 |
| Pershing | 5,000,000 | 4,350,000 |
| Storey | 11,695,300 | 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
June 30, 2015

| | Stated Interest Rate | Maturity Date | Face Amount | Amortized Cost* | <u>Schedule 1</u> Fair Value |
|---------------------------------------|-------------------------------------|--------------------------|------------------------|----------------------------|--|
| U.S. Government Securities | | | | | |
| Fed. Farm Credit Bank | 1.000 | 12/09/15 | \$ 6,420,000 | \$ 6,434,272 | \$ 6,441,186 |
| Fed. Farm Credit Bank | 1.050 | 03/28/16 | 10,000,000 | 10,017,713 | 10,056,200 |
| Fed. Farm Credit Bank | 5.875 | 10/03/16 | 8,000,000 | 8,071,716 | 8,537,600 |
| Fed. Home Loan Bank Callable Note | 2.100 | 03/30/20 | 21,666,667 | 21,666,667 | 21,699,817 |
| Fed. Home Loan Bank Callable Note | 0.750 | 07/28/17 | 25,000,000 | 24,994,236 | 24,979,250 |
| Fed. Home Loan Mtg. Corp Callable | 0.850 | 07/28/17 | 20,000,000 | 20,000,000 | 20,009,800 |
| Fed. Home Loan Mtg. Corp Callable | 0.850 | 07/28/17 | 18,000,000 | 18,000,000 | 18,008,820 |
| Fed. Home Loan Mtg. Corp Callable | 2.105 | 10/23/20 | 25,000,000 | 25,000,000 | 24,846,250 |
| Fed. Home Loan Mtg. Corp Callable | 2.105 | 10/23/20 | 25,000,000 | 25,000,000 | 24,846,250 |
| Fed. Home Loan Mtg. Corp Callable | 0.780 | 07/27/17 | 25,000,000 | 25,000,000 | 24,967,000 |
| Fed. Home Loan Mtg. Corp Callable | 0.750 | 04/28/17 | 25,000,000 | 25,000,000 | 24,993,750 |
| Fed. Home Loan Mtg. Corp Callable | 0.800 | 07/28/17 | 26,050,000 | 26,050,000 | 26,016,656 |
| Total U.S. Government Securities | | | <u>\$ 235,136,667</u> | <u>\$ 235,234,604</u> | <u>\$ 235,402,579</u> |
| Cash and Cash Equivalents | | | | | |
| Fed. Home Loan Bank Discount Note | 0.070 | 07/29/15 | \$ 35,000,000 | \$ 34,998,094 | \$ 34,999,300 |
| Morgan Stanley Global Liquid | 0.040 | | N/A | 23,657,094 | 23,657,094 |
| Pooled Cash with State Treasurer | | | N/A | 17,169,359 | 17,169,359 |
| Total Cash and Cash Equivalents | | | <u>\$ 35,000,000</u> | <u>\$ 75,824,547</u> | <u>\$ 75,825,753</u> |
| Private Equity Investments | | | | | |
| Nevada Capital Investment Corporation | | | N/A | <u>\$ 20,496,002</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 year ended June 30, 2015

| County | Quarter Ended 6/30/2015 | Year Ended 6/30/2015 |
|---------------|--|-------------------------------------|
| Carson City | \$ 6,301 | \$ 21,415 |
| Churchill | 11,721 | 55,003 |
| Clark | 349,882 | 1,695,826 |
| Douglas | 2,361 | 14,330 |
| Elko | 32,452 | 147,805 |
| Esmeralda | 27,184 | 53,962 |
| Eureka | 735 | 3,040 |
| Lander | 924 | 3,533 |
| Lincoln | 6,045 | 11,730 |
| Lyon | 19,724 | 72,380 |
| Mineral | - | 496 |
| Nye | 88,256 | 366,799 |
| Pershing | 1,040 | 2,434 |
| Washoe | 230,057 | 886,789 |
| White Pine | 6,370 | 16,460 |
| Total | \$ 783,052 | \$ 3,352,002 |

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and year ended June 30, 2015

| | <u>Schedule 3</u> | |
|---------------|--|-------------------------------------|
| County | Quarter Ended 6/30/2015 | Year Ended 6/30/2015 |
| Carson City | \$ 2,309 | \$ 15,227 |
| Churchill | 5,042 | 16,179 |
| Clark | 66,086 | 300,191 |
| Douglas | 6,605 | 15,145 |
| Elko | 13,024 | 58,617 |
| Esmeralda | - | 40 |
| Eureka | - | 25 |
| Humboldt | 2,106 | 8,932 |
| Lander | 585 | 2,030 |
| Lincoln | 240 | 12,676 |
| Lyon | 302 | 3,128 |
| Nye | 380 | 7,361 |
| Pershing | 3,000 | 7,824 |
| Washoe | 36,085 | 123,274 |
| White Pine | 1,890 | 11,210 |
| Total | \$ 137,654 | \$ 581,859 |