

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 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



**OFFICE OF THE
STATE CONTROLLER**

September 5, 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 June 30, 2017.

Sincerely,

A handwritten signature in blue 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
June 30, 2017 and 2016
(Unaudited)

Exhibit A

Assets	<u>06/30/2017</u>	<u>06/30/2016</u>
Cash and cash equivalents	\$ 70,240,413	\$ 118,832,745
Accrued interest		
Investments	302,447	327,030
Treasurer	29,749	34,969
Total accrued interest	<u>332,196</u>	<u>361,999</u>
Receivables		
Land sales	348,367	839,329
Fines and penalties	290,768	297,073
Purchased interest	-	-
Other receivables	13,140	-
Total receivables	<u>652,275</u>	<u>1,136,402</u>
Investments		
Fixed income securities	198,499,518	179,022,280
Equity securities	49,908,765	10,501,112
Total investments	<u>248,408,283</u>	<u>189,523,392</u>
Other Assets		
Due from component unit (NCIC)	37,123,965	34,571,792
Total Assets	<u><u>\$ 356,757,132</u></u>	<u><u>\$ 344,426,330</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 5,445,998	\$ 2,840,217
Accounts payable	2,536	-
Due to heirs	506,402	463,404
Due to General Fund	-	-
Total liabilities	<u>5,954,936</u>	<u>3,303,621</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>350,802,196</u>	<u>341,122,709</u>
Total Liabilities and Fund Balances	<u><u>\$ 356,757,132</u></u>	<u><u>\$ 344,426,330</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, 2017
(Unaudited)

	Quarter Ended 6/30/2017	Exhibit B Year Ended 6/30/2017
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 722,349	\$ 2,973,763
District Courts	171,253	630,502
Other fines and penalties	23,970	95,750
Total fines	917,572	3,700,015
Investment income (loss)	3,147,949	6,835,898
Land sales	1,096,658	5,823,347
Escheated estates	97,367	62,623
Gifts and donations	850	89,546
Miscellaneous	-	3,836
Total revenues	5,260,396	16,515,265
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(3,147,949)	(6,835,778)
Net change in fund balances	2,112,447	9,679,487
Fund balances, beginning of period	348,689,749	341,122,709
Fund balances, end of period	\$ 350,802,196	\$ 350,802,196

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, 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 June 30, 2017, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,528,570, and funds held by the State Treasurer earned interest at an effective rate of 1.04 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 JUNE 30, 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 June 30, 2017 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$51,060,000	\$26,535,000
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	4,545,400
Lyon	41,060,000	35,425,000
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	7,644,500
Washoe	40,000,000	40,000,000
White Pine	<u>10,890,000</u>	<u>7,560,000</u>
 Total	 <u>\$301,654,600</u>	 <u>\$232,254,900</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
June 30, 2017

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Fixed Income Securities					
Fed. Home Loan Bank	0.630	07/19/17	\$ 25,000,000	\$ 24,992,125	\$ 24,989,000
Fed. Home Loan Bank	0.640	08/01/17	25,000,000	24,986,222	24,979,500
Fed. Home Loan Bank	0.810	07/28/17	25,000,000	24,984,813	24,982,750
Fed. Home Loan Mtg. Corp	0.850	07/28/17	20,000,000	20,000,000	19,998,400
Fed. Home Loan Mtg. Corp	0.850	07/28/17	18,000,000	18,000,000	17,998,560
Fed. Home Loan Bank	1.125	12/08/17	29,000,000	29,012,156	28,991,300
Fed. Home Loan Bank	1.125	06/05/18	9,600,000	9,593,580	9,584,928
Fed. Home Loan Mtg. Corp	0.905	10/05/17	18,000,000	17,956,560	17,950,140
U.S. Treasury Notes	1.375	06/30/18	29,000,000	29,078,716	29,024,940
			\$ 198,600,000	\$ 198,604,172	\$ 198,499,518
Cash and Cash Equivalents					
JP Morgan US Govt MM Inst	0.840	N/A	N/A	\$ 35,227,738	\$ 35,227,738
Fed. Home Loan Bank	0.860	07/31/17	5,000,000	4,996,417	4,996,100
Fed. Home Loan Bank	0.895	07/06/17	18,000,000	17,997,763	17,998,560
Pooled Cash with State Treasurer	N/A	N/A	N/A	12,018,014	12,018,015
				\$ 70,239,932	\$ 70,240,413
Equity Securities					
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 36,550,000	\$ 39,447,896
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	6,476,000	6,935,245
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	3,238,000	3,525,624
				\$ 46,264,000	\$ 49,908,765
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	\$ 37,123,965	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, 2017

County	Schedule 2	
	Quarter Ended 6/30/2017	Year Ended 6/30/2017
Carson City	\$ 2,700	\$ 11,271
Churchill	20,577	62,476.00
Clark	305,683	1,309,501.00
Douglas	1,201	4,516.00
Elko	28,188	151,022.00
Esmeralda	24,793	65,126.00
Eureka	1,935	3,725.00
Lander	740	1,155.00
Lincoln	810	2,143.00
Lyon	13,635	55,480.00
Mineral	2,100	8,683.00
Nye	87,561	335,498.00
Pershing	1,955	3,738.00
Washoe	219,826	936,800.00
White Pine	10,645	22,629
Total	\$ 722,349	\$ 2,973,763

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and year ended June 30, 2017

County	Quarter Ended 6/30/2017	Schedule 3 Year Ended 6/30/2017
Carson City	\$ 4,402	\$ 15,783
Churchill	2,087	17,371.00
Clark	91,217	331,172.00
Douglas	4,248	15,720.00
Elko	15,006	37,541.00
Esmeralda	-	2,000.00
Humboldt	4,887	13,526.00
Lander	2,955	8,940.00
Lincoln	1,180	4,605.00
Lyon	2,618	17,715.00
Mineral	540	1,171.00
Nye	5,822	23,103.00
Pershing	17,162	42,200.00
Washoe	17,604	95,000.00
White Pine	1,525	4,655
Total	\$ 171,253	\$ 630,502