

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 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**

October 16, 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 June 30, 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
June 30, 2018 and 2017
(Unaudited)

Exhibit A

Assets	<u>6/30/2018</u>	<u>06/30/2017</u>
Cash and cash equivalents	\$ 65,953,100	\$ 70,240,413
Accrued interest		
Investments	222,637	302,447
Treasurer	71,097	29,749
Total accrued interest	<u>293,734</u>	<u>332,196</u>
Receivables		
Land sales	992,350	348,367
Fines and penalties	310,086	290,768
Purchased interest	8,791	-
Other receivables	-	13,140
Total receivables	<u>1,311,227</u>	<u>652,275</u>
Investments		
Fixed income securities	138,635,880	198,499,518
Equity securities	132,909,609	49,908,765
Total investments	<u>271,545,489</u>	<u>248,408,283</u>
Other Assets		
Due from component unit (NCIC)	39,388,102	37,123,965
Total Assets	<u><u>\$ 378,491,652</u></u>	<u><u>\$ 356,757,132</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 17,058,122	\$ 5,445,998
Accounts payable	2,114	2,536
Due to heirs	622,688	506,402
Due to General Fund	-	-
Total liabilities	<u>17,682,924</u>	<u>5,954,936</u>
Fund Balances		
Nonspendable: permanent fund principal	<u>360,808,728</u>	<u>350,802,196</u>
Total Liabilities and Fund Balances	<u><u>\$ 378,491,652</u></u>	<u><u>\$ 356,757,132</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, 2018
(Unaudited)

	Quarter Ended 6/30/2018	Exhibit B Year Ended 6/30/2018
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 756,056	\$ 3,063,518
District Courts	177,374	749,438
Other fines and penalties	4,970	156,445
Total fines	938,400	3,969,401
Investment income (loss)	6,056,016	16,558,638
Land sales	992,350	5,992,580
Escheated estates	(1,891)	43,280
Miscellaneous	-	1,271
Total revenues	7,984,875	26,565,170
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(6,056,016)	(16,558,638)
Net change in fund balances	1,928,859	10,006,532
Fund balances, beginning of period	358,879,869	350,802,196
Fund balances, end of period	\$ 360,808,728	\$ 360,808,728

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, 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 June 30, 2018, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$16,356,743 and funds held by the State Treasurer earned interest at an effective rate of 1.73 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, 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 June 30, 2018 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$35,560,000	\$11,950,000
Churchill	43,370,000	33,760,000
Douglas	33,625,000	30,515,000
Humboldt	2,950,000	2,005,000
Lincoln	5,759,300	4,235,400
Lyon	58,960,000	35,430,000
Mineral	2,500,000	2,500,000
Nye	37,120,000	32,980,000
Pershing	4,725,000	3,650,000
Storey	8,070,300	7,098,300
Washoe	40,000,000	40,000,000
White Pine	<u>7,000,000</u>	<u>7,000,000</u>
 Total	 <u>\$279,639,600</u>	 <u>\$211,123,700</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
June 30, 2018

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Fixed Income Securities					
Farmer Mac	1.740	07/26/18	\$ 26,000,000	\$ 25,968,583	\$ 25,967,500
Fed. Home Loan Bank	1.880	10/04/18	8,000,000	7,960,311	7,958,640
Fed. Home Loan Bank	1.860	08/06/18	26,000,000	25,951,640	25,951,380
Fed. Home Loan Bank	1.950	10/29/18	9,000,000	8,941,500	8,941,140
Fed. Home Loan Bank	1.920	09/05/18	25,000,000	24,912,000	24,912,500
Fed. Home Loan Bank	1.940	10/04/18	10,000,000	9,948,806	9,948,300
U.S. Treasury Notes	1.375	09/30/18	9,000,000	8,987,031	8,986,320
U.S. Treasury Bill	1.830	07/26/18	26,000,000	25,966,958	25,970,100
			<u>\$ 139,000,000</u>	<u>\$ 138,636,829</u>	<u>\$ 138,635,880</u>
Total Fixed Income Securities					
Cash and Cash Equivalents					
Pooled Cash with State Treasurer	N/A	N/A	N/A	\$ 17,005,545	\$ 17,005,545
Cash in Money Market Account	N/A	N/A	N/A	29,000,000	29,000,000
Invesco	1.800	N/A	N/A	950,595	950,595
Fed. Home Loan Bank	1.755	7/5/2018	19,000,000	18,996,295	18,996,960
				<u>\$ 65,952,435</u>	<u>\$ 65,953,100</u>
Total Cash and Cash Equivalents					
Equity Securities					
Vanguard Inst Index Fund Inst Plus	N/A	N/A	N/A	\$ 93,850,000	\$ 104,512,660
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	16,628,000	18,526,535
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	8,314,000	9,870,414
				<u>\$ 118,792,000</u>	<u>\$ 132,909,609</u>
Total Equity Securities					
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	<u>\$ 39,388,102</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, 2018

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2018	Year Ended 6/30/2018
Carson City	\$ 5,043	\$ 19,667
Churchill	15,359	55,260
Clark	373,646	1,441,514
Douglas	1,355	6,537
Elko	18,164	133,536
Esmeralda	12,759	75,264
Eureka	1,560	10,901
Lander	94	297
Lincoln	600	2,475
Lyon	18,930	57,088
Mineral	-	1,703
Nye	75,531	353,393
Pershing	269	1,695
Washoe	230,326	891,423
White Pine	2,420	12,765
Total	\$ 756,056	\$ 3,063,518

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter and year ended June 30, 2018

County	Schedule 3	
	Quarter Ended 6/30/2018	Year Ended 6/30/2018
Carson City	\$ 6,465	\$ 27,412
Churchill	6,842	20,953
Clark	55,804	320,379
Douglas	9,142	26,882
Elko	8,965	58,052
Esmeralda	-	1,000
Humboldt	4,500	14,717
Lander	3,162	8,727
Lincoln	150	2,600
Lyon	6,034	15,943
Mineral	322	7,745
Nye	5,006	17,140
Pershing	12,830	45,113
Washoe	52,867	166,790
White Pine	5,285	15,985
Total	<u>\$ 177,374</u>	<u>\$ 749,438</u>