

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)
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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
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
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

				<u>Schedule 1</u>	
	Stated Interest Rate	Maturity Date	Face Amount	Amortized Cost*	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
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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the quarter and year ended June 30, 2015

	<u>Schedule 2</u>	
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