

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 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**

January 19, 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 September 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)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2017 and 2016
(Unaudited)

Exhibit A

Assets	<u>09/30/2017</u>	<u>09/30/2016</u>
Cash and cash equivalents	\$ 44,981,498	\$ 104,842,900
Accrued interest		
Investments	245,854	583,203
Treasurer	34,278	45,850
Total accrued interest	<u>280,132</u>	<u>629,053</u>
Receivables		
Land sales	4,053,849	343,451
Fines and penalties	374,902	299,748
Purchased interest	-	-
Other receivables	-	-
Total receivables	<u>4,428,751</u>	<u>643,199</u>
Investments		
Fixed income securities	205,292,524	192,587,920
Equity securities	70,823,081	10,880,681
Total investments	<u>276,115,605</u>	<u>203,468,601</u>
Other Assets		
Due from component unit (NCIC)	38,181,568	35,146,409
Total Assets	<u>\$ 363,987,554</u>	<u>\$ 344,730,162</u>
Liabilities		
Due to (from) the Distributive School Account	\$ 7,734,689	\$ 1,990,991
Accounts payable	-	-
Due to heirs	412,467	407,946
Due to General Fund	-	-
Total liabilities	<u>8,147,156</u>	<u>2,398,937</u>
Fund Balances		
Nonspendable: permanent fund principal	355,840,398	342,331,225
Total Liabilities and Fund Balances	<u>\$ 363,987,554</u>	<u>\$ 344,730,162</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 ended September 30, 2017 and 2016
(Unaudited)

	Quarter Ended 9/30/2017	Exhibit B Quarter Ended 9/30/2016
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 709,056	\$ 722,940
District Courts	183,755	148,046
Other fines and penalties	118,330	9,220
Total fines	1,011,141	880,206
Investment income (loss)	4,194,097	702,643
Land sales	4,053,849	343,451
Escheated estates	(28,059)	(16,565)
Gifts and donations	-	-
Miscellaneous	1,271	1,304
Total revenues	9,232,299	1,911,039
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(4,194,097)	(702,523)
Net change in fund balances	5,038,202	1,208,516
Fund balances, beginning of period	350,802,196	341,122,709
Fund balances, end of period	\$ 355,840,398	\$ 342,331,225

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 SEPTEMBER 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 September 30, 2017, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,044,370, and funds held by the State Treasurer earned interest at an effective rate of 1.13 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 SEPTEMBER 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 September 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	58,960,000	37,635,000
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>\$319,554,600</u>	 <u>\$234,464,900</u>

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

	Stated				Schedule 1
	Interest	Maturity	Face	Amortized	Fair
	Rate	Date	Amount	Cost*	Value
Fixed Income Securities					
Fed. Home Loan Bank	1.125	06/05/18	\$ 9,600,000	\$ 9,595,323	\$ 9,585,504
Incapital	1.050	11/15/17	30,000,000	29,960,625	29,963,400
Fed. Home Loan Bank	1.070	01/05/18	20,000,000	19,942,933	19,943,000
Fed. Home Loan Bank	1.140	01/26/18	25,000,000	24,907,375	24,913,000
Fed. Home Loan Mtg. Corp	0.905	10/05/17	18,000,000	17,998,190	17,998,560
Fed. Home Loan Mtg. Corp	1.100	04/05/18	20,000,000	19,886,333	19,879,800
U.S. Treasury Bill	1.090	10/19/17	25,000,000	24,986,375	24,989,250
Fed. Home Loan Bank	1.125	12/08/17	29,000,000	29,005,166	29,002,900
U.S. Treasury Notes	1.375	06/30/18	29,000,000	29,058,821	29,017,110
			\$ 205,600,000	\$ 205,341,141	\$ 205,292,524
Cash and Cash Equivalents					
JP Morgan US Govt MM Inst	0.870	N/A	N/A	\$ 33,671,349	\$ 33,671,349
Pooled Cash with State Treasurer	N/A	N/A	N/A	11,310,149	11,310,149
				\$ 44,981,498	\$ 44,981,498
Equity Securities					
Vanguard Inst Index Fund Inst	N/A	N/A	N/A	\$ 50,875,000	\$ 55,959,679
Vanguard S&P Mid-Cap 400 Index Ist	N/A	N/A	N/A	9,014,000	9,764,914
Vanguard S&P Small-Cap 600 Index Ist	N/A	N/A	N/A	4,507,000	5,098,488
				\$ 64,396,000	\$ 70,823,081
Private Equity Investments (Due from Component Unit)					
Nevada Capital Investment Corporation	N/A	N/A	N/A	\$ 38,181,568	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 ended September 30, 2017 and 2016

County	Schedule 2	
	Quarter Ended 9/30/2017	Quarter Ended 9/30/2016
Carson City	\$ 3,533	\$ 1,789
Churchill	10,967	10,247
Clark	330,190	321,616
Douglas	1,242	900
Elko	45,966	27,126
Esmeralda	19,241	10,526
Eureka	395	875
Lander	25	220
Lincoln	365	900
Lyon	11,857	12,559
Mineral	175	6,138
Nye	80,714	82,065
Pershing	476	335
Washoe	198,970	244,330
White Pine	4,940	3,314
Total	\$ 709,056	\$ 722,940

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the quarter ended September 30, 2017 and 2016

County	Schedule 3	
	Quarter Ended 9/30/2017	Quarter Ended 9/30/2016
Carson City	\$ 5,179	\$ 1,982
Churchill	2,541	7,398
Clark	89,680	69,779
Douglas	10,172	2,525
Elko	14,186	9,599
Esmeralda	1,000	-
Humboldt	3,082	2,049
Lander	1,160	5,615
Lincoln	2,100	1,125
Lyon	4,741	9,310
Mineral	2,468	-
Nye	4,250	6,057
Pershing	8,725	8,750
Washoe	29,675	23,246
White Pine	4,796	611
Total	\$ 183,755	\$ 148,046