

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2011
(Unaudited)

KIM R. WALLIN, CMA, CFM, CPA
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
CMA, CFM, CPA
State Controller

STATE OF NEVADA

SUSAN ROSSETER HART
Chief Deputy Controller



**OFFICE OF THE
STATE CONTROLLER**

August 30, 2011

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 ending June 30, 2011.

Sincerely,

A handwritten signature in cursive script that reads "Kim Wallin".

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW:dt

Legislative Counsel Bureau	(2)
State Board of Education	(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, 2010 and 2011
(Unaudited)

Exhibit A

Assets	<u>6/30/11</u>	<u>6/30/10</u>
Cash and cash equivalents	\$ 8,077,697	\$ 51,817,860
Accrued interest		
Investments	1,092,697	1,055,097
Treasurer	5,005	633
Total accrued interest	<u>1,097,702</u>	<u>1,055,730</u>
Receivables		
Land sales	90,419	64,134
Fines and penalties	531,136	580,931
Escheated estates receivable	27,908	0
Purchased interest	0	286,023
Due from other funds	102,206	152,625
Total receivables	<u>751,669</u>	<u>1,083,713</u>
Investments		
U.S. Government securities	300,122,432	253,054,710
Total Assets	<u><u>\$ 310,049,500</u></u>	<u><u>\$ 307,012,013</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 2,982,733	\$ 6,583,253
Due to heirs	544,249	553,933
Total liabilities	<u>3,526,982</u>	<u>7,137,186</u>
Fund balances		
Nonspendable: Permanent Fund Principal	306,522,518	299,874,827
Total Liabilities and Fund Balances	<u><u>\$ 310,049,500</u></u>	<u><u>\$ 307,012,013</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, 2011
(Unaudited)

Exhibit B

Revenues	Quarter Ended 6/30/2011	Year Ended 6/30/2011
Fines - State Penal Laws		
Justice Courts	\$ 1,372,851	\$ 5,300,200
District Courts	156,839	648,888
Other Fines and Penalties	30,700	70,701
	1,560,390	6,019,789
Total fines		
Investment income (loss)	3,145,731	4,451,666
Land sales	304,992	560,768
Escheated estates	17,841	56,180
Miscellaneous	4,069	10,954
	5,033,023	11,099,357
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(3,145,731)	(4,451,666)
Net change in fund balances	1,887,292	6,647,691
Fund balances, beginning of period	304,635,226	299,874,827
Fund balances, end of period	\$ 306,522,518	\$ 306,522,518

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
PERMANENT SCHOOL FUND
GENERAL

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 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.

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, 2011 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	39,288,000.00	\$	29,942,000.00
Churchill		23,155,000.00		20,525,000.00
Douglas		18,500,000.00		18,500,000.00
Humboldt		2,950,000.00		2,845,000.00
Lincoln		6,750,000.00		5,879,000.00
Lyon		46,800,000.00		36,715,000.00
Mineral		4,425,000.00		2,715,000.00
Nye		42,900,000.00		35,120,000.00
Pershing		5,000,000.00		5,000,000.00
Storey		10,950,000.00		9,910,000.00
White Pine		3,890,000.00		3,455,000.00

REVENUE SOURCES

The following schedule 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)
- 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)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

Treasurer's Interest Accrual:

For the quarter ended June 30, 2011, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$9,298,238.16. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended June 30, 2011, funds held by the State Treasurer earned interest at an effective rate of .24 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:

Nonspendable fund balance cannot be spent, and represents the permanent fund principal which must remain in the fund in perpetuity under the State Constitution. Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, is effective beginning with fiscal year 2011. This resulted in a change in fund balance terminology from reserved to nonspendable.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
June 30, 2011

Schedule 1

Fixed Income Securities	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fed. Farm Credit Bank	5.875	10/03/16	\$ 8,000,000	\$ 8,456,160	\$ 9,454,160
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,159,000
Fed. Farm Credit Bank	2.500	02/17/15	12,000,000	12,170,400	12,042,480
Fed. Farm Credit Bank	2.850	03/16/15	7,450,000	7,571,435	7,485,983
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,616,989
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,815,640
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	11,001,700
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,731,552
Fed. Home Loan Bank Note	2.200	07/15/15	20,000,000	20,000,000	20,017,600
Fed. Home Loan Bank Note	2.900	07/28/17	20,000,000	20,050,000	20,037,200
Fed. Home Loan Bank Note	2.150	10/26/17	12,000,000	12,000,000	11,633,400
Fed. Home Loan Bank Note	0.750	12/21/11	17,000,000	17,066,640	17,048,110
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	15,800,000	15,943,780	15,905,070
U.S. Treasury Note	0.750	11/30/11	30,775,000	30,891,608	31,055,315
U.S. Treasury Note	0.750	11/30/11	33,750,000	33,859,424	33,643,258
Fed. Home Loan Mgt. Corp. Disc. Note	0.120	11/21/11	22,000,000	21,987,973	21,993,840
Fed. Nat. Mtg. Assn. Disc. Note	0.012	11/23/11	21,000,000	20,988,590	20,994,120
U.S. Treasury Bill	0.100	12/29/11	26,500,000	26,486,603	26,487,015
Total Investments			<u>\$ 295,543,000</u>	<u>\$ 298,672,312</u>	<u>\$ 300,122,432</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Year ended June 30, 2011

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2011	Year Ended 6/30/2011
Carson City	\$ 5,771	\$ 20,129
Churchill	20,429	94,680
Clark	823,646	3,133,327
Douglas	9,813	33,615
Elko	40,894	163,356
Esmeralda	8,354	57,424
Eureka	2,073	6,325
Humboldt	-	-
Lander	1,997	11,035
Lincoln	2,478	7,965
Lyon	22,010	72,393
Mineral	200	865
Nye	53,588	228,390
Pershing	1,028	1,729
Storey	-	-
Washoe	377,830	1,455,582
White Pine	2,740	13,385
Total	<u>\$ 1,372,851</u>	<u>\$ 5,300,200</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Year ended June 30, 2011

County	Schedule 3	
	Quarter Ended 6/30/2011	Year Ended 6/30/2011
Carson City	\$ 715	\$ 19,299
Churchill	21,793	26,016
Clark	51,024	232,990
Douglas	2,765	23,001
Elko	11,688	90,410
Esmeralda	25	25
Eureka	-	-
Humboldt	5,111	13,815
Lander	250	5,275
Lincoln	2,995	9,415
Lyon	5,177	11,606
Mineral	50	200
Nye	2,844	18,834
Pershing	2,935	6,313
Storey	-	-
Washoe	45,396	178,012
White Pine	4,071	13,677
Total	<u>\$ 156,839</u>	<u>\$ 648,888</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended June 30, 2011

Schedule 4

	Rate of Interest	Face Amount	Investment Income
Interest on investments:			
Fed. Farm Credit Bank	5.875 %	\$ 8,000,000	\$ 117,500
Fed. Farm Credit Bank	2.500	5,000,000	31,250
Fed. Farm Credit Bank	2.770	12,000,000	83,100
Fed. Farm Credit Bank	2.850	7,450,000	53,081
Fed. Farm Credit Bank	2.900	13,418,000	97,280
Fed. Home Loan Bank Note	2.200	25,000,000	137,500
Fed. Home Loan Bank Note	4.750	7,000,000	83,125
Fed. Home Loan Bank Note	4.875	10,000,000	121,875
Fed. Home Loan Bank Note	4.875	13,850,000	168,797
Fed. Home Loan Bank Note	2.200	20,000,000	110,000
Fed. Home Loan Bank Note	2.900	20,000,000	145,000
Fed. Home Loan Bank Note	1.820	11,000,000	54,872
Fed. Home Loan Bank Note	1.820	11,000,000	54,872
Fed. Home Loan Bank Note	1.820	21,000,000	78,551
Fed. Home Loan Bank Note	2.150	12,000,000	64,500
Fed. Home Loan Bank Note	0.750	17,000,000	31,875
Fed. Home Loan Mgt. Corp.	1.625	5,275,000	5,953
Fed. Home Loan Mgt. Corp.	1.125	15,800,000	44,438
U.S. Treasury Note	0.750	30,775,000	35,087
U.S. Treasury Note	0.750	33,750,000	23,868
Fed. Home Loan Discount Note	0.080	25,000,000	1,333
Fed. Home Loan Discount Note	0.060	33,000,000	1,540
Fed. Home Loan Discount Note	0.045	25,000,000	875
Fed. Home Loan Discount Note	0.027	6,000,000	45
Fed. Home Loan Discount Note	0.035	33,000,000	898
Fed. Home Loan Discount Note	0.010	33,000,000	9
Treasurer's interest distribution			5,005
Total interest			1,552,229
Change in fair value of investments			1,595,742
Less: custodial fees			(2,240)
Net investment income			\$ 3,145,731