

STATE OF NEVADA
PERMANENT SCHOOL FUND

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

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



**OFFICE OF THE
STATE CONTROLLER**

January 30, 2012

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 September 30, 2011.

Sincerely,

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

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

KRW:dt

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2011 and 2010
(Unaudited)

Exhibit A

Assets	<u>9/30/11</u>	<u>9/30/10</u>
Cash and cash equivalents	\$ 7,792,451	\$ 13,165,427
Accrued interest		
Investments	1,277,736	1,524,684
Treasurer	208	5,313
	<u>1,277,944</u>	<u>1,529,997</u>
Total accrued interest		
Receivables		
Land sales	96,731	59,440
Fines and penalties	428,338	500,348
Purchased interest	4,555	79,986
	<u>529,624</u>	<u>639,774</u>
Total receivables		
Investments		
U.S. Government securities	301,663,748	293,430,253
	<u>\$ 311,263,767</u>	<u>\$ 308,765,451</u>
Total Assets		
Liabilities		
Due to (from) the Distributive School Account	\$ 2,599,344	\$ 6,766,118
Due to heirs	565,559	555,698
	<u>3,164,903</u>	<u>7,321,816</u>
Total liabilities		
Fund balances		
Nonspendable: Permanent Fund Principal	308,098,864	301,443,635
	<u>\$ 311,263,767</u>	<u>\$ 308,765,451</u>
Total Liabilities and Fund Balances		

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 Quarters ended September 30, 2011 and 2010
(Unaudited)

Exhibit B

Revenues	Quarter Ended 9/30/2011	Quarter Ended 9/30/2010
Fines - State Penal Laws		
Justice Courts	\$ 1,327,862	\$ 1,326,215
District Courts	129,752	178,820
Other Fines and Penalties	11,350	601
	1,468,964	1,505,636
Total fines		
Investment income (loss)	1,149,224	2,708,320
Land sales	96,731	59,440
Escheated estates	6,365	527
Miscellaneous	4,286	3,205
	2,725,570	4,277,128
Total revenues		
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(1,149,224)	(2,708,320)
Net change in fund balances	1,576,346	1,568,808
Fund balances, beginning of period	306,522,518	299,874,827
Fund balances, end of period	\$ 308,098,864	\$ 301,443,635

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 September 30, 2011 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	49,288,000.00	\$	39,942,000.00
Churchill		30,155,000.00		27,525,000.00
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		2,825,000.00		2,825,000.00
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 September 30, 2011, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$8,441,310. 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 September 30, 2011, funds held by the State Treasurer earned interest at an effective rate of 0.17 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.

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

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	5.875	10/03/16	\$ 8,000,000	\$ 8,456,160	\$ 9,674,800
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,136,550
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,548,423
Fed. Farm Credit Bank	0.160	12/22/11	19,449,000	19,436,293	19,448,222
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,866,180
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,950,600
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,591,252
Fed. Home Loan Bank Note	2.150	10/26/17	12,000,000	12,000,000	12,011,040
Fed. Home Loan Bank Note	0.750	12/21/11	17,000,000	17,066,640	17,023,630
Fed. Home Loan Bank Note	0.290	12/30/11	7,440,000	7,444,712	7,444,166
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	15,800,000	15,943,780	15,877,262
Fed. Home Loan Mgt. Corp.	0.090	12/14/11	20,000,000	19,992,400	19,999,200
U.S. Treasury Note	0.750	11/30/11	30,775,000	30,891,608	31,005,760
U.S. Treasury Note	0.750	11/30/11	33,750,000	33,859,424	33,589,573
Fed. Home Loan Mgt. Corp. Disc. Note	0.120	11/21/11	22,000,000	21,987,973	21,999,340
Fed. Nat. Mtg. Assn. Disc. Note	0.012	11/23/11	21,000,000	20,988,590	20,999,370
Fed. Nat. Mtg. Assn. Disc. Note	0.075	11/23/11	14,000,000	13,996,588	13,999,440
U.S. Treasury Bill	0.100	12/29/11	26,500,000	26,486,603	26,498,940
Total Investments			<u>\$ 296,982,000</u>	<u>\$ 299,750,470</u>	<u>\$ 301,663,748</u>

STATE OF NEVADA

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarters ended September 30, 2011 and 2010

County	<u>Schedule 2</u>	
	Quarter Ended 9/30/2011	Quarter Ended 9/30/2010
Carson City	\$ 2,830	\$ 5,814
Churchill	18,339	25,729
Clark	834,746	789,962
Douglas	8,478	8,031
Elko	40,508	36,358
Esmeralda	9,288	23,174
Eureka	1,212	325
Humboldt	-	-
Lander	2,481	2,010
Lincoln	322	1,425
Lyon	18,980	17,345
Mineral	328	256
Nye	51,626	55,585
Pershing	469	590
Storey	-	-
Washoe	336,265	355,506
White Pine	1,990	4,105
Total	<u>\$ 1,327,862</u>	<u>\$ 1,326,215</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters ended September 30, 2011 and 2010

County	Schedule 3	
	Quarter Ended 9/30/2011	Quarter Ended 9/30/2010
Carson City	\$ 4,200	\$ 11,821
Churchill	2,286	1,142
Clark	66,137	53,588
Douglas	3,225	5,379
Elko	12,029	35,923
Esmeralda	3	-
Eureka	-	-
Humboldt	950	1,490
Lander	2,125	2,185
Lincoln	1,260	5,100
Lyon	1,524	2,349
Mineral	-	25
Nye	3,665	1,262
Pershing	210	2,798
Storey	-	-
Washoe	28,193	52,229
White Pine	3,945	3,529
Total	<u>\$ 129,752</u>	<u>\$ 178,820</u>

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

Schedule 4

	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
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	42,473
Fed. Farm Credit Bank	2.850	7,450,000	44,234
Fed. Farm Credit Bank	2.900	13,418,000	97,281
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	17,111
Fed. Home Loan Bank Note	2.900	20,000,000	43,500
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 Bank Note	0.290	21,000,000	959
Fed. Home Loan Mgt. Corp.	1.125	15,800,000	44,438
U.S. Treasury Note	0.750	30,775,000	57,703
U.S. Treasury Note	0.750	33,750,000	63,281
Treasurer's interest distribution			<u>208</u>
Total interest			1,030,110
Change in fair value of investments			121,323
Less: custodial fees			<u>(2,209)</u>
Net investment income			<u>\$ 1,149,224</u>