

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2011
(Unaudited)

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



**OFFICE OF THE
STATE CONTROLLER**

March 27, 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 December 31, 2011.

Sincerely,

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

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

KRW:es

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
December 31, 2011 and 2010
(Unaudited)

Exhibit A

Assets	<u>12/31/11</u>	<u>12/31/10</u>
Cash and cash equivalents	\$ 25,687,998	\$ 6,905,431
Accrued interest		
Investments	457,064	2,089,211
Treasurer	4,517	6,458
Total accrued interest	<u>461,581</u>	<u>2,095,669</u>
Receivables		
Land sales	59,216	78,048
Fines and penalties	440,055	431,842
Purchased interest	89,057	17,480
Total receivables	<u>588,328</u>	<u>527,370</u>
Investments		
U.S. Government securities	<u>286,530,829</u>	<u>297,325,199</u>
Total Assets	<u><u>\$ 313,268,736</u></u>	<u><u>\$ 306,853,669</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 2,985,641	\$ 3,377,161
Due to heirs	569,397	620,503
Total liabilities	<u>3,555,038</u>	<u>3,997,664</u>
Fund balances		
Nonspendable: Permanent Fund Principal	<u>309,713,698</u>	<u>302,856,005</u>
Total Liabilities and Fund Balances	<u><u>\$ 313,268,736</u></u>	<u><u>\$ 306,853,669</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 six months ended December 31, 2011
(Unaudited)

Exhibit B

Revenues	Quarter Ended 12/31/2011	Six Months Ended 12/31/2011
Fines - State Penal Laws		
Justice Courts	\$ 1,294,827	\$ 2,622,689
District Courts	117,272	247,024
Other Fines and Penalties	22,375	33,725
	1,434,474	2,903,438
Total fines		
Investment income (loss)	386,297	1,535,521
Land sales	175,053	271,784
Escheated estates	1,146	7,511
Miscellaneous	4,161	8,447
	2,001,131	4,726,701
Total revenues		
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(386,297)	(1,535,521)
Net change in fund balances	1,614,834	3,191,180
Fund balances, beginning of period	308,098,864	306,522,518
Fund balances, December 31	\$ 309,713,698	\$ 309,713,698

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 December 31, 2011 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 49,288,000.00	\$ 39,884,000.00
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	5,774,000.00
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 December 31, 2011, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$9,296,741. 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 December 31, 2011, funds held by the State Treasurer earned interest at an effective rate of 0.20 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
December 31, 2011

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	2.500	01/14/13	\$ 5,000,000	\$ 5,000,000	\$ 5,114,300
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,482,138
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,712,080
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,851,200
Fed. Home Loan Bank Note	2.150	10/26/17	12,000,000	12,000,000	12,011,160
Fed. Home Loan Bank Disc. Note	0.030	04/11/12	3,000,000	2,999,723	2,999,820
Fed. Home Loan Bank Disc. Note	0.030	04/18/12	36,700,000	36,696,208	36,670,800
Fed. Home Loan Bank Disc. Note	0.040	04/18/12	3,600,000	3,599,528	3,626,782
Fed. Home Loan Bank Disc. Note	0.035	04/27/12	2,000,000	1,999,753	1,999,880
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,444,165
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,819,140
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	15,800,000	15,943,780	15,773,177
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	19,139,000	19,205,221	19,278,327
Fed. Home Ln. Mgt. Corp. Disc. Note	0.035	04/16/12	1,500,000	1,499,831	1,519,909
Fed. Home Ln. Mgt. Corp. Disc. Note	0.040	04/16/12	8,000,000	7,998,773	7,979,521
Fed. Home Ln. Mgt. Corp. Disc. Note	0.030	04/25/12	18,875,000	18,872,908	18,873,867
Fed. Home Ln. Mgt. Corp. Disc. Note	0.035	04/30/12	9,300,000	9,298,824	9,299,349
Fed. National Mtg. Assn. Disc. Note	0.030	04/03/12	17,000,000	16,998,527	16,999,150
Fed. National Mtg. Assn. Disc. Note	0.040	04/18/12	11,700,000	11,698,180	11,650,301
Fed. National Mtg. Assn. Disc. Note	0.030	04/18/12	7,400,000	7,399,235	7,448,553
Fed. National Mtg. Assn. Disc. Note	0.050	04/25/12	7,200,000	7,198,530	7,199,568
Fed. National Mtg. Assn. Disc. Note	1.875	04/20/12	2,350,000	2,365,066	2,362,455
U.S. Treasury Note	1.000	04/30/12	37,691,000	37,839,703	38,049,694
U.S. Treasury Note	1.000	04/30/12	11,570,000	11,613,387	11,365,493
Total Investments			<u>\$ 282,093,000</u>	<u>\$ 284,883,036</u>	<u>\$ 286,530,829</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2011

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2011	Six Months Ended 12/31/2011
Carson City	\$ 4,658	\$ 7,488
Churchill	16,504	34,843
Clark	717,962	1,552,708
Douglas	6,296	14,774
Elko	38,497	79,005
Esmeralda	14,383	23,671
Eureka	1,658	2,870
Humboldt	-	-
Lander	1,487	3,968
Lincoln	345	667
Lyon	22,495	41,475
Mineral	25	353
Nye	51,704	103,330
Pershing	178	647
Storey	-	-
Washoe	416,360	752,625
White Pine	<u>2,275</u>	<u>4,265</u>
Total	<u><u>\$ 1,294,827</u></u>	<u><u>\$ 2,622,689</u></u>

STATE OF NEVADA

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and six months ended December 31, 2011

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2011	Six Months Ended 12/31/2011
Carson City	\$ 7,252	\$ 11,452
Churchill 1	(18,274)	(15,988)
Clark	54,054	120,191
Douglas	2,872	6,097
Elko	14,786	26,815
Esmeralda	-	3
Eureka	-	-
Humboldt	3,380	4,330
Lander	205	2,330
Lincoln	1,255	2,515
Lyon	2,389	3,913
Mineral	25	25
Nye	1,010	4,675
Pershing	1,410	1,620
Storey	-	-
Washoe	44,242	72,435
White Pine	2,666	6,611
Total	<u>\$ 117,272</u>	<u>\$ 247,024</u>

1 Negative amount due to correction of prior year error where fines belonging to another fund were incorrectly reported as District Court Fines.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 31, 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	2.900	13,418,000	97,280
Fed. Farm Credit Bank	2.500	5,000,000	31,250
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	2.150	12,000,000	64,500
Fed. Home Loan Bank Note	0.750	17,000,000	28,333
Fed. Home Loan Bank Note	0.290	7,440,000	5,274
Fed. Home Loan Mgt. Corp.	1.125	15,800,000	44,437
Fed. Home Loan Mgt. Corp.	1.125	19,139,000	1,197
Fed. National Mortgage Assn.	1.875	2,350,000	2,325
Fed. Farm Credit Bank Disc. Note	0.160	19,449,000	12,707
Fed. Home Loan Bank Disc. Note	1.000	21,000,000	134
Fed. Home Loan Bank Disc. Note	0.500	22,000,000	76
Fed. Nat. Mortgage Assn. Disc. Note	0.120	21,000,000	11,410
Fed. Nat. Mortgage Assn. Disc. Note	0.750	14,000,000	3,413
Fed. Home Loan Mgt. Corp. Disc. Note	0.120	22,000,000	12,027
Fed. Home Loan Mgt. Corp. Disc. Note	0.090	20,000,000	7,600
U.S. Treasury Bill	0.100	26,500,000	13,397
U.S. Treasury Note	1.000	37,691,000	32,801
U.S. Treasury Note	1.000	11,570,000	6,255
U.S. Treasury Note	0.750	33,750,000	42,891
U.S. Treasury Note	0.750	30,775,000	38,469
Treasurer's interest distribution			4,517
Total interest			951,590
Change in fair value of investments			(563,120)
Less: custodial fees			(2,173)
Net investment income			\$ 386,297