

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2012
(Unaudited)

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



**OFFICE OF THE
STATE CONTROLLER**

May 23, 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 March 31, 2012.

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 Capitol
101 N. Carson Street, Suite 5
Carson City, Nevada 89701-4786
(775) 684-5750
Fax (775) 684-5696

www.controller.nv.gov

Grant Sawyer State Office Building
555 E. Washington Avenue, Suite 4300
Las Vegas, Nevada 89101-1071
(702) 486-3895
Fax (702) 486-3896

STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2012 and 2011
(Unaudited)

Exhibit A

Assets	<u>3/31/12</u>	<u>3/31/11</u>
Cash and cash equivalents	\$ 8,304,195	\$ 66,989,969
Accrued interest		
Investments	1,207,852	1,513,672
Treasurer	-	5,475
Total accrued interest	<u>1,207,852</u>	<u>1,519,147</u>
Receivables		
Land sales	-	-
Fines and penalties	504,097	601,518
Purchased interest	89,057	61,917
Total receivables	<u>593,154</u>	<u>663,435</u>
Investments		
U.S. Government securities	303,611,740	237,584,948
Total Assets	<u><u>\$ 313,716,941</u></u>	<u><u>\$ 306,757,499</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 1,830,296	\$ 1,439,987
Due to heirs	601,905	682,286
Total liabilities	<u>2,432,201</u>	<u>2,122,273</u>
Fund balances		
Nonspendable: Permanent Fund Principal	311,284,740	304,635,226
Total Liabilities and Fund Balances	<u><u>\$ 313,716,941</u></u>	<u><u>\$ 306,757,499</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 nine months ended March 31, 2012
(Unaudited)

Exhibit B

Revenues	Quarter Ended 3/31/2012	Nine Months Ended 3/31/2012
Fines - State Penal Laws		
Justice Courts	\$ 1,372,577	\$ 3,995,266
District Courts	184,719	431,743
Other Fines and Penalties	-	33,725
	1,557,296	4,460,734
Total fines		
Investment income (loss)	182,755	1,718,276
Land sales	-	271,784
Escheated estates	9,710	17,221
Miscellaneous	4,036	12,483
	1,753,797	6,480,498
Total revenues		
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(182,755)	(1,718,276)
Net change in fund balances	1,571,042	4,762,222
Fund balances, beginning of period	309,713,698	306,522,518
Fund balances, March 31	\$ 311,284,740	\$ 311,284,740

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 March 31, 2012 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	46,908,000.00	\$	37,504,000.00
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		5,744,000.00
Lyon		46,800,000.00		36,715,000.00
Mineral		4,535,000.00		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		9,490,000.00
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 March 31, 2012, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$8,358,815. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

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
March 31, 2012

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	\$ 5,089,050
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,422,428
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,637,040
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,762,400
Fed. Home Loan Bank Disc. Note	0.030	04/11/12	3,000,000	2,999,723	2,999,970
Fed. Home Loan Bank Disc. Note	0.030	04/18/12	36,700,000	36,696,208	36,672,633
Fed. Home Loan Bank Disc. Note	0.040	04/18/12	3,600,000	3,599,528	3,626,964
Fed. Home Loan Bank Disc. Note	0.035	04/27/12	2,000,000	1,999,753	1,999,960
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,293,477
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,760,340
Fed. Home Loan Bank Note	1.625	09/26/12	11,850,000	11,969,851	11,933,898
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	15,800,000	15,943,780	15,731,826
Fed. Home Loan Mgt. Corp.	1.125	04/25/12	19,139,000	19,205,221	19,227,788
Fed. Home Ln. Mgt. Corp. Disc. Note	0.035	04/16/12	1,500,000	1,499,831	1,519,985
Fed. Home Ln. Mgt. Corp. Disc. Note	0.040	04/16/12	8,000,000	7,998,773	7,979,920
Fed. Home Ln. Mgt. Corp. Disc. Note	0.030	04/25/12	18,875,000	18,872,908	18,874,623
Fed. Home Ln. Mgt. Corp. Disc. Note	0.035	04/30/12	9,300,000	9,298,824	9,299,814
Fed. National Mtg. Assn. Disc. Note	0.030	04/03/12	17,000,000	16,998,527	17,000,000
Fed. National Mtg. Assn. Disc. Note	0.040	04/18/12	11,700,000	11,698,180	11,650,883
Fed. National Mtg. Assn. Disc. Note	0.030	04/18/12	7,400,000	7,399,235	7,448,926
Fed. National Mtg. Assn. Disc. Note	0.050	04/25/12	7,200,000	7,198,530	7,199,856
Fed. National Mtg. Assn. Disc. Note	1.875	04/20/12	2,350,000	2,365,066	2,351,903
Fed. National Mtg. Assn. Disc. Note	0.105	08/31/12	10,600,000	10,593,446	10,596,926
U.S. Treasury Note	1.000	04/30/12	37,691,000	37,839,703	37,954,866
U.S. Treasury Note	1.000	04/30/12	11,570,000	11,613,387	11,337,168
U.S. Treasury Note	0.163	09/15/12	7,200,000	7,246,406	7,239,096
Total Investments			<u>\$ 299,743,000</u>	<u>\$ 302,692,739</u>	<u>\$ 303,611,740</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2012

County	Schedule 2	
	Quarter Ended 3/31/2012	Nine Months Ended 3/31/2012
Carson City	\$ 6,203	\$ 13,691
Churchill	19,499	54,342
Clark	817,149	2,369,857
Douglas	5,268	20,042
Elko	39,009	118,014
Esmeralda	11,702	35,373
Eureka	419	3,289
Humboldt	-	-
Lander	1,979	5,947
Lincoln	213	880
Lyon	32,997	74,472
Mineral	203	556
Nye	64,324	167,654
Pershing	678	1,325
Storey	-	-
Washoe	368,884	1,121,509
White Pine	4,050	8,315
Total	\$ 1,372,577	\$ 3,995,266

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2012

	<u>Schedule 3</u>	
County	Quarter Ended 3/31/2012	Nine Months Ended 3/31/2012
Carson City	\$ 2,338	\$ 13,790
Churchill 1	3,349	(12,639)
Clark	79,230	199,421
Douglas	2,145	8,242
Elko	21,017	47,832
Esmeralda	-	3
Eureka	-	-
Humboldt	2,460	6,790
Lander	885	3,215
Lincoln	1,928	4,443
Lyon	2,224	6,137
Mineral	-	25
Nye	2,875	7,550
Pershing	5,768	7,388
Storey	-	-
Washoe	57,017	129,452
White Pine	<u>3,483</u>	<u>10,094</u>
Total	<u><u>\$ 184,719</u></u>	<u><u>\$ 431,743</u></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 March 31, 2012

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	2.900	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	17,917
Fed. Home Loan Bank Note	1.625	11,850,000	35,303
Fed. Home Loan Mgt. Corp.	1.125	15,800,000	44,437
Fed. Home Loan Mgt. Corp.	1.125	19,139,000	53,828
Fed. National Mortgage Assn.	1.875	2,350,000	11,016
Fed. Home Loan Bank Disc. Note	0.010	7,225,000	128
Fed. Nat. Mortgage Assn. Disc. Note	0.005	10,600,000	49
U.S. Treasury Note	1.000	37,691,000	94,228
U.S. Treasury Note	1.000	11,570,000	28,925
U.S. Treasury Note	1.375	7,200,000	7,936
Treasurer's interest distribution			-
Total interest			913,594
Change in fair value of investments			(728,540)
Less: custodial fees			(2,299)
Net investment income			<u>\$ 182,755</u>