

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2012
(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**

February 21, 2013

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, 2012.

Sincerely,

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

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

KRW: ceb

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
December 31, 2012 and 2011
(Unaudited)

Exhibit A

Assets	<u>12/31/12</u>	<u>12/31/11</u>
Cash and cash equivalents	\$ 156,337,978	\$ 25,687,998
Accrued interest		
Investments	429,206	457,064
Treasurer	<u>15,365</u>	<u>4,517</u>
Total accrued interest	<u>444,571</u>	<u>461,581</u>
Receivables		
Land sales	76,394	59,216
Fines and penalties	402,308	440,055
Escheated estates receivable	-	-
Purchased interest	165,277	89,057
Due from other funds	<u>-</u>	<u>-</u>
Total receivables	<u>643,979</u>	<u>588,328</u>
Investments		
U.S. Government securities	<u>161,375,885</u>	<u>286,530,829</u>
Total Assets	<u>\$ 318,802,413</u>	<u>\$ 313,268,736</u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 1,278,988	\$ 2,985,641
Due to heirs	1,644,704	569,397
Due to other funds	<u>1,587</u>	<u>-</u>
Total liabilities	<u>2,925,279</u>	<u>3,555,038</u>
 Fund balances		
Nonspendable: Permanent Fund Principal	<u>315,877,134</u>	<u>309,713,698</u>
Total Liabilities and Fund Balances	<u>\$ 318,802,413</u>	<u>\$ 313,268,736</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, 2012
(Unaudited)

	Quarter Ended 12/31/2012	<u>Exhibit B</u> Six Months Ended 12/31/2012
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 926,434	\$ 2,023,097
District Courts	145,909	266,649
Other Fines and Penalties	-	56,200
	<hr/>	<hr/>
Total fines	1,072,343	2,345,946
Investment income (loss)	156,246	465,182
Land sales	192,815	260,303
Escheated estates	21,444	15,056
Miscellaneous	6,725	9,665
	<hr/>	<hr/>
Total revenues	1,449,573	3,096,152
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(156,246)	(465,182)
	<hr/>	<hr/>
Net change in fund balances	1,293,327	2,630,970
Fund balances, beginning of period	314,583,807	313,246,164
	<hr/>	<hr/>
Fund balances, December 31	<u>\$ 315,877,134</u>	<u>\$ 315,877,134</u>

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, 2012 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$44,483,000	\$35,845,000
Churchill	30,155,000	24,745,000
Douglas	27,500,000	27,360,000
Humboldt	2,950,000	2,740,000
Lincoln	6,880,300	5,719,300
Lyon	47,080,000	39,170,000
Mineral	2,825,000	2,365,000
Nye	42,160,000	38,605,000
Pershing	5,000,000	4,890,000
Storey	10,950,000	9,490,000
White Pine	3,890,000	3,015,000

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.

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:

For the quarter ended December 31, 2012, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$12,111,276. 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 December 31, 2012, funds held by the State Treasurer earned interest at an effective rate of 0.74 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, 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	\$ 5,003,950
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,545,040
Fed. Home Loan Bank Note	0.200	03/01/13	15,000,000	15,002,080	15,001,950
Fed. Home Loan Bank Note	0.125	03/05/13	14,000,000	13,999,146	14,000,140
Fed. Home Loan Bank Note	0.160	04/18/13	15,450,000	15,452,070	15,451,854
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,444,100
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,591,500
U.S. Treasury Note	0.625	02/28/13	5,000,000	5,017,188	5,004,300
U.S. Treasury Note	1.375	03/15/13	40,000,000	40,165,625	40,101,600
U.S. Treasury Note	1.375	03/15/13	10,000,000	10,095,117	10,025,400
U.S. Treasury Note	0.625	04/30/13	10,000,000	10,037,891	10,017,600
U.S. Treasury Note	1.375	05/15/13	10,000,000	10,117,187	10,046,500
U.S. Treasury Note	1.000	07/15/13	9,100,000	9,173,582	9,141,951
Total Investments			<u>\$ 158,550,000</u>	<u>\$ 159,906,646</u>	<u>\$ 161,375,885</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2012

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/12	Six Months Ended 12/31/12
Carson City	\$ 6,870	\$ 13,362
Churchill	16,886	35,671
Clark	522,641	1,187,730
Douglas	7,346	18,949
Elko	38,633	88,298
Esmeralda	7,840	17,643
Eureka	6,670	7,994
Humboldt	-	-
Lander	2,036	2,878
Lincoln	687	2,120
Lyon	27,460	54,148
Mineral	148	148
Nye	43,894	108,777
Pershing	400	700
Storey	-	-
Washoe	242,110	477,937
White Pine	2,813	6,742
Total	<u>\$ 926,434</u>	<u>\$ 2,023,097</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2012

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/12	Six Months Ended 12/31/12
Carson City	\$ 3,297	\$ 6,629
Churchill	5,830	7,914
Clark	64,705	102,746
Douglas	2,945	5,864
Elko	22,042	37,249
Esmeralda	1,034	1,035
Eureka	-	3,813
Humboldt	2,224	2,224
Lander	685	1,360
Lincoln	1,855	5,015
Lyon	2,585	4,360
Mineral	478	649
Nye	3,330	5,280
Pershing	585	1,679
Storey	-	-
Washoe	32,311	75,194
White Pine	2,003	5,638
Total	<u>\$ 145,909</u>	<u>\$ 266,649</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 31, 2012

	<u>Rate of Interest</u>		<u>Face Amount</u>	<u>Schedule 4 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. Home Loan Bank Discount Note	0.130		13,900,000	3,062
Fed. Home Loan Bank Discount Note	0.120		7,000,000	1,377
Fed. Home Loan Bank Discount Note	0.125		7,000,000	1,458
Fed. Home Loan Bank Discount Note	0.125		10,000,000	2,083
Fed. Home Loan Bank Note	4.875		10,000,000	121,875
Fed. Home Loan Bank Note	0.180		13,900,000	3,406
Fed. Home Loan Bank Note	4.750		7,000,000	83,125
Fed. Home Loan Bank Note	0.170		12,500,000	2,892
Fed. Home Loan Bank Note	0.170		9,000,000	2,082
Fed. Home Loan Bank Note	0.180		21,325,000	5,118
Fed. Home Loan Bank Note	0.375		3,000,000	1,500
Fed. Home Loan Bank Note	0.125		14,000,000	2,236
Fed. Home Loan Bank Note	0.200		15,000,000	3,417
Fed. Home Loan Bank Note	0.160		15,450,000	1,236
Fed. Home Loan Bank Note	1.000		10,000,000	278
Fed. Home Loan Bank Note	4.875		13,850,000	136,913
Fed. Home Loan Bank Note	0.180		10,600,000	2,544
Fed. Home Loan Bank Note	1.625		6,000,000	13,000
Fed. Home Loan Bank Note	1.750		1,600,000	1,789
U.S. Treasury Bill	0.120		25,000,000	2,333
U.S. Treasury Bill	0.120		25,000,000	2,333
U.S. Treasury Note	1.375		40,000,000	70,793
U.S. Treasury Note	0.625		5,000,000	7,812
U.S. Treasury Note	1.375		10,000,000	34,375
U.S. Treasury Note	1.375		10,000,000	34,375
U.S. Treasury Note	0.625		10,000,000	15,625
U.S. Treasury Note	1.000		9,100,000	22,750
U.S. Treasury Note	0.625		10,000,000	15,278
U.S. Treasury Note	1.375		13,425,000	21,536
U.S. Treasury Note	1.375		28,300,000	45,398
U.S. Treasury Note	1.375		47,000,000	75,396
U.S. Treasury Note	1.375		61,850,000	99,218
Treasurer's interest distribution				15,365
Total interest				1,000,728
Change in fair value of investments				(842,193)
Less: custodial fees				(2,289)
Net investment income				\$ 156,246