

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 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**

August 21, 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 June 30, 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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Department of Administration	(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, 2012 and 2011
(Unaudited)

Exhibit A

Assets	<u>6/30/12</u>	<u>6/30/11</u>
Cash and cash equivalents	\$ 7,818,640	\$ 8,077,697
Accrued interest		
Investments	704,933	1,092,697
Treasurer	4,991	5,005
Total accrued interest	<u>709,924</u>	<u>1,097,702</u>
Receivables		
Land sales	76,002	90,419
Fines and penalties	433,709	531,136
Escheated estates receivable	-	27,908
Purchased interest	256,026	-
Due from other funds	-	102,206
Total receivables	<u>765,737</u>	<u>751,669</u>
Investments		
U.S. Government securities	<u>306,754,841</u>	<u>300,122,432</u>
Total Assets	<u><u>\$ 316,049,142</u></u>	<u><u>\$ 310,049,500</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 1,208,676	\$ 2,982,733
Due to heirs	<u>1,594,302</u>	<u>544,249</u>
Total liabilities	<u>2,802,978</u>	<u>3,526,982</u>
Fund balances		
Nonspendable: Permanent Fund Principal	<u>313,246,164</u>	<u>306,522,518</u>
Total Liabilities and Fund Balances	<u><u>\$ 316,049,142</u></u>	<u><u>\$ 310,049,500</u></u>

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

PERMANENT SCHOOL FUND

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and Year ended June 30, 2012
(Unaudited)

Exhibit B

Revenues	Quarter Ended 6/30/2012	Year Ended 6/30/2012
Fines - State Penal Laws		
Justice Courts	\$ 1,237,474	\$ 5,232,740
District Courts	155,292	587,035
Other Fines and Penalties	1,052	34,777
Total fines	1,393,818	5,854,552
Investment income (loss)	288,939	2,007,215
Land sales	124,810	396,594
Escheated estates	436,271	453,492
Miscellaneous	6,525	19,008
Total revenues	2,250,363	8,730,861
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(288,939)	(2,007,215)
Net change in fund balances	1,961,424	6,723,646
Fund balances, beginning of period	311,284,740	306,522,518
Fund balances, June 30	\$ 313,246,164	\$ 313,246,164

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, 2012 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	44,483,000.00	\$	35,845,000.00
Churchill		30,155,000.00		24,745,000.00
Douglas		18,500,000.00		18,360,000.00
Humboldt		2,950,000.00		2,740,000.00
Lincoln		6,750,000.00		5,699,000.00
Lyon		47,080,000.00		39,170,000.00
Mineral		2,825,000.00		2,365,000.00
Nye		42,160,000.00		38,605,000.00
Pershing		5,000,000.00		4,890,000.00
Storey		10,950,000.00		9,490,000.00
White Pine		3,890,000.00		3,015,000.00

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, 2012, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$10,151,064. 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, 2012, funds held by the State Treasurer earned interest at an effective rate of 0.22 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
June 30, 2012

Schedule 1

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed Income Securities					
Fed. Farm Credit Bank	2.500	01/14/13	\$ 5,000,000	\$ 5,000,000	\$ 5,060,150
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,642,560
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,655,000
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	14,137,803
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,712,390
Fed. Home Loan Bank Note	1.625	09/26/12	11,850,000	11,969,851	11,890,764
Fed. Home Loan Bank Note	2.000	09/14/12	5,465,000	5,502,545	5,485,221
Fed. Home Loan Bank Note	0.220	09/26/12	50,000,000	50,015,500	50,008,000
Fed. Home Loan Bank Note	4.500	09/14/12	8,435,000	8,569,342	8,507,119
Fed. Home Loan Bank Disc. Note	0.150	09/28/12	6,120,000	6,115,461	6,118,776
Fed. Home Loan Mgt. Corp.	2.125	09/21/12	10,775,000	10,874,098	10,805,526
Fed. Home Loan Mgt. Corp.	2.125	09/21/12	12,508,000	12,612,692	12,511,662
Fed. Home Loan Mgt. Corp.	2.125	09/21/12	5,030,000	5,068,832	5,118,407
Fed. Home Loan Mgt. Disc. Corp.	0.135	09/17/12	12,500,000	12,492,781	12,497,875
Fed. National Mtg. Assn.	0.625	09/24/12	21,525,000	21,569,557	21,426,968
Fed. National Mtg. Assn.	0.625	09/24/12	25,000,000	25,052,150	25,153,397
Fed. National Mtg. Assn.	4.375	09/15/12	4,327,000	4,394,155	4,364,039
Fed. National Mtg. Assn. Disc. Note	0.105	08/31/12	10,600,000	10,593,446	10,599,152
U.S. Treasury Bill	0.130	09/20/12	13,425,000	13,417,049	13,422,852
U.S. Treasury Note	1.375	09/15/12	7,200,000	7,246,406	7,218,288
U.S. Treasury Note	0.625	12/31/12	10,000,000	10,028,320	10,021,900
U.S. Treasury Note	0.625	02/28/13	5,000,000	5,017,187	5,014,450
U.S. Treasury Note	1.375	05/15/13	10,000,000	10,117,187	10,098,400
U.S. Treasury Note	1.375	03/15/13	10,000,000	10,095,117	10,082,400
U.S. Treasury Note	0.625	04/30/13	10,000,000	10,037,891	10,032,400
U.S. Treasury Note	1.000	07/15/13	9,100,000	9,173,582	9,169,342
Total Investments			<u>\$ 302,710,000</u>	<u>\$ 305,941,034</u>	<u>\$ 306,754,841</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Year ended June 30, 2012

County	Schedule 2	
	Quarter Ended 6/30/2012	Year Ended 6/30/2012
Carson City	\$ 5,837	\$ 19,528
Churchill	18,491	72,833
Clark	745,121	3,114,978
Douglas	11,847	31,889
Elko	36,525	154,539
Esmeralda	16,813	52,186
Eureka	424	3,713
Humboldt	-	-
Lander	2,332	8,279
Lincoln	1,155	2,035
Lyon	30,022	104,494
Mineral	203	759
Nye	58,575	226,229
Pershing	409	1,734
Storey	-	-
Washoe	305,584	1,427,093
White Pine	4,136	12,451
Total	<u>\$ 1,237,474</u>	<u>\$ 5,232,740</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Year ended June 30, 2012

County	Quarter Ended 6/30/2012	Year Ended 6/30/2012
Carson City	\$ 3,807	\$ 17,597
Churchill 1	3,506	(9,133)
Clark	65,187	264,608
Douglas	4,998	13,240
Elko	24,435	72,267
Esmeralda	-	3
Eureka	-	-
Humboldt	2,960	9,750
Lander	420	3,635
Lincoln	1,694	6,137
Lyon	1,680	7,817
Mineral	510	535
Nye	6,885	14,435
Pershing	44	7,432
Storey	-	-
Washoe	36,472	165,924
White Pine	2,694	12,788
Total	\$ 155,292	\$ 587,035

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 June 30, 2012

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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	8,647
Fed. Farm Credit Bank	1.500		5,000,000	31,250
Fed. Farm Credit Bank Disc. Note	0.050		30,000,000	42
Fed. Farm Credit Bank Disc. Note	0.050		31,252,000	43
Fed. Farm Credit Bank Disc. Note	0.030		4,400,000	11
Fed. Farm Credit Bank Disc. Note	0.010		5,000,000	4
Fed. Farm Credit Bank Disc. Note	0.010		9,200,000	3
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	1.625		11,850,000	48,141
Fed. Home Loan Bank Note	0.150		6,120,000	2,397
Fed. Home Loan Bank Note	2.000		5,465,000	18,520
Fed. Home Loan Bank Note	0.220		50,000,000	18,944
Fed. Home Loan Bank Note	4.500		8,435,000	62,208
Fed. Home Loan Mgt. Corp.	1.125		15,800,000	11,850
Fed. Home Loan Mgt. Corp.	1.125		19,139,000	14,354
Fed. Home Loan Mgt. Corp.	2.125		10,775,000	56,606
Fed. Home Loan Mgt. Corp.	2.125		12,508,000	54,636
Fed. Home Loan Mgt. Corp.	2.125		5,030,000	18,408
Fed. Home Loan Mgt. Corp. Disc.Note	0.040		8,000,000	1,227
Fed. Home Loan Mgt. Corp. Disc.Note	0.035		1,500,000	169
Fed. Home Loan Mgt. Corp. Disc.Note	0.030		18,875,000	2,092
Fed. Home Loan Mgt. Corp. Disc.Note	0.035		9,300,000	1,175
Fed. Home Loan Mgt. Corp. Disc.Note	0.060		3,000,000	25
Fed. Home Loan Mgt. Corp. Disc.Note	0.080		5,000,000	300
Fed. National Mortgage Assn.	1.875		2,350,000	2,326
Fed. National Mortgage Assn.	4.375		4,327,000	31,025
Fed. National Mortgage Assn.	0.625		21,525,000	27,280
Fed. National Mortgage Assn.	0.625		25,000,000	31,684
Fed. Home Loan Bank Disc. Note	0.030		3,000,000	278
Fed. Home Loan Bank Disc. Note	0.030		36,700,000	3,792
Fed. Home Loan Bank Disc. Note	0.040		3,600,000	472
Fed. Home Loan Bank Disc. Note	0.010		2,400,000	5
Fed. Home Loan Bank Disc. Note	0.350		2,000,000	247
Fed. Home Loan Bank Disc. Note	0.060		11,000,000	110
Fed. Home Loan Bank Disc. Note	0.060		50,000,000	500
Fed. Home Loan Bank Disc. Note	0.030		50,000,000	42
Fed. Home Loan Bank Disc. Note	0.030		50,000,000	42
Fed. Home Loan Bank Disc. Note	0.010		25,000,000	21

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended June 30, 2012

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Schedule 4

	Rate of Interest	Face Amount	Investment Income
Interest on investments:			
Fed. Home Loan Bank Disc. Note	0.010	25,000,000	7
Fed. Home Loan Bank Disc. Note	0.010	15,000,000	4
Fed. Home Loan Bank Disc. Note	0.080	25,000,000	56
Fed. Home Loan Bank Disc. Note	0.050	2,500,000	3
Fed. Nat. Mortgage Assn. Disc. Note	0.030	17,000,000	1,473
Fed. Nat. Mortgage Assn. Disc. Note	0.040	11,700,000	1,820
Fed. Nat. Mortgage Assn. Disc. Note	0.030	7,400,000	765
Fed. Nat. Mortgage Assn. Disc. Note	0.050	7,200,000	1,470
Fed. Nat. Mortgage Assn. Disc. Note	0.030	2,500,000	2
Fed. Nat. Mortgage Assn. Disc. Note	0.060	25,000,000	708
U.S. Treasury Bill	0.050	46,000,000	64
U.S. Treasury Bill	0.055	25,000,000	76
U.S. Treasury Note	1.000	37,691,000	30,362
U.S. Treasury Note	1.000	11,570,000	9,321
U.S. Treasury Note	1.375	7,200,000	24,750
U.S. Treasury Note	0.625	10,000,000	9,104
U.S. Treasury Note	0.625	5,000,000	4,221
U.S. Treasury Note	1.375	10,000,000	15,079
U.S. Treasury Note	0.625	10,000,000	6,854
U.S. Treasury Note	1.000	9,100,000	3,214
U.S. Treasury Note	1.375	10,000,000	19,080
Treasurer's interest distribution			4,991
Total interest			1,073,597
Change in fair value of investments			(782,326)
Less: custodial fees			(2,332)
Net investment income			\$ 288,939