

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 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**

December 18, 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, 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
September 30, 2012 and 2011
(Unaudited)

Exhibit A

Assets	09/30/2012	09/30/2011
Cash and cash equivalents	\$ 8,614,773	\$ 7,792,451
Accrued interest		
Investments	880,095	1,277,736
Treasurer	6,263	208
Total accrued interest	<u>886,358</u>	<u>1,277,944</u>
Receivables		
Land sales	67,488	96,731
Fines and penalties	405,561	428,338
Escheated estates receivable	-	4,555
Purchased interest	785,521	-
Due from other funds	-	-
Total receivables	<u>1,258,570</u>	<u>529,624</u>
Investments		
U.S. Government securities	<u>306,520,617</u>	<u>301,663,748</u>
Total Assets	<u>\$ 317,280,318</u>	<u>\$ 311,263,767</u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 1,122,742	\$ 2,599,344
Due to heirs	1,572,915	565,559
Due to other funds	854	-
Total liabilities	<u>2,696,511</u>	<u>3,164,903</u>
 Fund balances		
Nonspendable: Permanent Fund Principal	<u>314,583,807</u>	<u>308,098,864</u>
Total Liabilities and Fund Balances	<u>\$ 317,280,318</u>	<u>\$ 311,263,767</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 Quarters ended September 30, 2012 and 2011
(Unaudited)

	<u>Quarter Ended 9/30/2012</u>	<u>Quarter Ended 9/30/2011</u>
Revenues		<u>Exhibit B</u>
Fines - State Penal Laws		
Justice Courts	\$ 1,096,663	\$ 1,327,862
District Courts	120,740	129,752
Other Fines and Penalties	56,200	11,350
	<hr/>	<hr/>
Total fines	1,273,603	1,468,964
Investment income (loss)	308,936	1,149,224
Land sales	67,488	96,731
Escheated estates	(6,388)	6,365
Miscellaneous	2,940	4,286
	<hr/>	<hr/>
Total revenues	1,646,579	2,725,570
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(308,936)	(1,149,224)
	<hr/>	<hr/>
Net change in fund balances	1,337,643	1,576,346
Fund balances, beginning of period	313,246,164	306,522,518
	<hr/>	<hr/>
Fund balances, June 30	<u>\$ 314,583,807</u>	<u>\$ 308,098,864</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 September 30, 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	18,500,000	18,360,000
Humboldt	2,950,000	2,740,000
Lincoln	6,750,000	5,699,000
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.

Treasurer's Interest Accrual:

For the quarter ended September 30, 2012, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$10,546,372. 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 September 30, 2012, funds held by the State Treasurer earned interest at an effective rate of 0.49 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, 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	\$ 5,033,450
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,631,440
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,556,700
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	13,979,775
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,667,240
Fed. Home Loan Bank Note	0.180	11/21/12	10,600,000	10,600,848	10,600,000
Fed. Home Loan Bank Disc. Note	0.125	11/16/12	10,000,000	9,997,917	9,999,600
Fed. Home Loan Bank Disc. Note	0.125	11/16/12	7,000,000	6,998,542	6,999,720
Fed. Home Loan Bank Disc. Note	0.120	11/15/12	7,000,000	6,998,623	6,999,720
Fed. Home Loan Bank Disc. Note	0.130	11/14/12	13,900,000	13,896,938	13,899,444
Fed. Home Loan Bank Note	1.625	11/21/12	6,000,000	6,013,320	6,012,000
U.S. Treasury Note	1.375	11/15/12	61,850,000	61,958,609	61,944,012
U.S. Treasury Note	1.375	11/15/12	47,000,000	47,084,788	47,071,440
U.S. Treasury Note	1.375	11/15/12	28,300,000	28,353,063	28,343,016
U.S. Treasury Note	1.375	11/15/12	13,425,000	13,450,696	13,445,406
U.S. Treasury Note	0.625	12/31/12	10,000,000	10,028,320	10,011,700
U.S. Treasury Note	0.625	02/28/13	5,000,000	5,017,187	5,009,950
U.S. Treasury Note	1.375	05/15/13	10,000,000	10,117,187	10,075,000
U.S. Treasury Note	1.375	03/15/13	10,000,000	10,095,117	10,055,500
U.S. Treasury Note	0.625	04/30/13	10,000,000	10,037,891	10,026,900
U.S. Treasury Note	1.000	07/15/13	9,100,000	9,173,582	9,158,604
Total Investments			<u>\$ 303,025,000</u>	<u>\$ 305,800,513</u>	<u>\$ 306,520,617</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarters ended September 30, 2012 and 2011

	<u>Schedule 2</u>	
County	Quarter Ended 9/30/12	Quarter Ended 9/30/11
Carson City	6,492	2,830
Churchill	18,785	18,339
Clark	665,089	834,746
Douglas	11,603	8,478
Elko	49,665	40,508
Esmeralda	9,803	9,288
Eureka	1,324	1,212
Humboldt	-	-
Lander	842	2,481
Lincoln	1,433	322
Lyon	26,688	18,980
Mineral	-	328
Nye	64,883	51,626
Pershing	300	469
Storey	-	-
Washoe	235,827	336,265
White Pine	3,929	1,990
Total	1,096,663	1,327,862

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarters ended September 30, 2012 and 2011

	<u>Schedule 3</u>	
County	Quarter Ended 9/30/12	Quarter Ended 9/30/11
Carson City	3,332	4,200
Churchill	2,084	2,286
Clark	38,041	66,137
Douglas	2,919	3,225
Elko	15,207	12,029
Esmeralda	1	3
Eureka	3,813	-
Humboldt	-	950
Lander	675	2,125
Lincoln	3,160	1,260
Lyon	1,775	1,524
Mineral	171	-
Nye	1,950	3,665
Pershing	1,094	210
Storey	-	-
Washoe	42,883	28,193
White Pine	3,635	3,945
Total	120,740	129,752

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended September 30, 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	2.500		5,000,000		31,250
Fed. Home Loan Bank Note	1.625		6,000,000		1,354
Fed. Home Loan Bank Note	0.180		10,600,000		1,696
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		44,931
Fed. Home Loan Bank Note	0.150		6,120,000		2,142
Fed. Home Loan Bank Note	2.000		5,465,000		22,164
Fed. Home Loan Bank Note	0.220		50,000,000		25,667
Fed. Home Loan Bank Note	4.500		8,435,000		76,969
Fed. Home Loan Mgt. Corp.	2.125		10,775,000		50,246
Fed. Home Loan Mgt. Corp.	2.125		12,508,000		58,327
Fed. Home Loan Mgt. Corp.	2.125		5,030,000		23,456
Fed. Home Loan Mgt. Corp. Disc.Note	0.135		12,500,000		7,219
Fed. National Mortgage Assn.	4.375		4,327,000		38,913
Fed. National Mortgage Assn.	0.625		21,525,000		30,643
Fed. National Mortgage Assn.	0.625		25,000,000		35,590
U.S. Treasury Note	1.375		61,850,000		16,331
U.S. Treasury Note	1.375		47,000,000		15,922
U.S. Treasury Bill	0.105		10,600,000		6,554
U.S. Treasury Bill	0.130		13,425,000		7,951
U.S. Treasury Note	1.375		13,425,000		6,554
U.S. Treasury Note	1.375		28,300,000		12,759
U.S. Treasury Note	1.375		7,200,000		20,350
U.S. Treasury Note	0.625		10,000,000		15,625
U.S. Treasury Note	0.625		5,000,000		7,813
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	1.375		10,000,000		34,375
Treasurer's interest distribution					6,263
Total interest					1,165,111
Change in fair value of investments					(853,830)
Less: custodial fees					(2,345)
Net investment income					\$ 308,936