



John Keel, CPA
State Auditor

A Report on
**The Audit of the Permanent School Fund's
Fiscal Year 2012 Financial Statements**

December 21, 2012

Members of the Legislative Audit Committee:

In our audit report dated December 20, 2012, we concluded that the Permanent School Fund's (Fund) basic financial statements for fiscal year 2012 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America. The Fund published our audit report as part of its basic financial statements, which it intends to post on its Web site at www.tea.state.tx.us.

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards. Our procedures did not identify any material weaknesses in internal control over financial reporting or any noncompliance with laws or regulations that materially affected the financial statements. In addition, the major internal controls that we tested for the purpose of forming our opinions on the financial statements were operating effectively.

Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with laws and regulations. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance with laws and regulations.

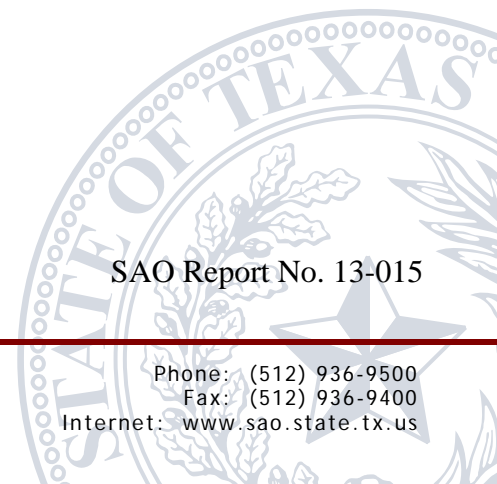
Auditors communicated certain issue(s) that were not material or significant to the audit objectives in writing to the Fund's management.

As required by auditing standards, we will also communicate to the State Board of Education and School Land Board certain matters related to the conduct of a financial statement audit.

We appreciate the Fund's cooperation during this audit. If you have any questions, please contact Verma Elliott, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor



cc: Members of the State Board of Education

Mrs. Barbara Cargill, Chair
Mr. Bob Craig, Vice Chair
Mrs. Mary Helen Berlanga, Secretary
Mrs. Gail Lowe
Mr. Lawrence A. Allen, Jr.
Ms Terri Leo
Mr. David Bradley
Mr. George Clayton
Ms. Marsha Farney
Mr. Charlie Garza
Ms. Patricia Hardy
Mrs. Mavis B. Knight
Mr. Ken Mercer
Mr. Thomas Ratliff
Mr. Michael Soto

Texas Education Agency

Mr. Michael L. Williams, Commissioner of Education
Mr. Holland Timmins, CFA, Executive Administrator and Chief Investment Officer, Permanent
School Fund

General Land Office and Members of the School Land Board

The Honorable Jerry Patterson, Land Commissioner and Chairman of the School Land Board
Mr. David S. Herrmann, School Land Board Member
Mr. Thomas Orr, Jr., School Land Board Member
Mr. Larry L. Laine, Deputy Land Commissioner and Chief Clerk



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our Web site: www.sao.state.tx.us.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government call the SAO Hotline: 1-800-TX-AUDIT.