

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED June 30, 2008
(Unaudited)

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

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State Controller

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STATE OF NEVADA



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**OFFICE OF THE
STATE CONTROLLER**

August 26, 2008

The Honorable Jim Gibbons
Chairman, State Board of Finance
101 N. Carson Street, Suite 1
Carson City, NV 89701-4786

Dear Governor Gibbons:

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, 2008.

Sincerely,

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

Kim Wallin
State Controller

KW:es

Legislative Counsel Bureau (2)
State Board of Education (2)
Department of Administration (2)
Department of Conservation (2)
Department of Education (1)
Office of the State Treasurer (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, 2008 and 2007
(Unaudited)

Exhibit A

Assets	<u>6/30/08</u>	<u>6/30/07</u>
Cash and cash equivalents	\$ 25,860,168	\$ 10,033,715
Accrued interest		
Investments	2,310,786	2,435,185
Treasurer	146,657	105,521
Total accrued interest	<u>2,457,443</u>	<u>2,540,706</u>
Receivables		
Land sales	48,251	162,842
Fines and penalties	672,613	617,407
Purchased interest	382,299	32,542
Escheated estates	-	174,549
Total receivables	<u>1,103,163</u>	<u>987,340</u>
Investments		
U.S. Government securities	<u>262,315,307</u>	<u>266,218,336</u>
Total Assets	<u><u>\$ 291,736,081</u></u>	<u><u>\$ 279,780,097</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 6,305,572	\$ 2,991,955
Due to heirs	879,816	1,058,404
Total liabilities	<u>7,185,388</u>	<u>4,050,359</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>284,550,693</u>	<u>275,729,738</u>
Total Liabilities and Fund Balances	<u><u>\$ 291,736,081</u></u>	<u><u>\$ 279,780,097</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 Year ended June 30, 2008
(Unaudited)

	<u>Quarter Ended 6/30/2008</u>	<u>Exhibit B Year Ended 6/30/2008</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,344,240	\$ 5,455,401
District Courts	155,323	637,812
Other Fines and Penalties	<u>92,500</u>	<u>92,500</u>
Total fines	1,592,063	6,185,713
Investment income (loss)	(184,375)	17,435,620
Land sales	493,501	2,502,573
Escheated estates	145,631	112,327
Miscellaneous	<u>3,143</u>	<u>20,342</u>
Total revenues	<u>2,049,963</u>	<u>26,256,575</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>184,375</u>	<u>(17,435,620)</u>
Net change in fund balances	2,234,338	8,820,955
Fund balances, beginning of period	<u>282,316,355</u>	<u>275,729,738</u>
Fund balances, June 30, 2008	<u><u>\$ 284,550,693</u></u>	<u><u>\$ 284,550,693</u></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 June 30, 2008 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 38,103,000.00	\$ 33,244,000.00
Churchill	10,060,000.00	5,650,000.00
Douglas	14,460,000.00	5,410,000.00
Eureka	6,000,000.00	3,066,000.00
Humboldt	5,075,000.00	1,660,000.00
Lincoln	4,075,000.00	3,642,000.00
Lyon	23,330,000.00	18,455,000.00
Mineral	4,425,000.00	3,825,000.00
Nye	38,735,000.00	29,775,000.00
Pershing	5,135,000.00	2,100,000.00
Storey	10,950,000.00	10,800,000.00
White Pine	5,040,000.00	5,040,000.00

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, 2008, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$18,087,834. 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, 2008, funds held by the State Treasurer earned interest at an effective rate of 3.24 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.

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENTS
June 30, 2008

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	3.300	11/05/08	\$ 7,300,000	\$ 7,221,160	\$ 7,284,165
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	10,059,085
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,722,969
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,245,000
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	10,003,100
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,221,900
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	9,790,600
Fed. Farm Credit Bank	3.750	01/24/11	15,000,000	15,213,000	15,028,200
Fed. Farm Credit Bank	3.980	04/03/13	20,000,000	19,990,000	19,787,600
Fed. Farm Credit Bank	3.980	04/23/10	13,000,000	13,000,000	12,975,690
Fed. Farm Credit Bank	5.250	08/03/09	15,000,000	15,448,050	15,375,000
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	10,065,600
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,102,830
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,534,375
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,378,100
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,250,000
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,237,160
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	20,070,474
Fed. Home Loan Bank Note	5.230	03/19/12	8,000,000	7,978,800	8,085,040
Fed. Home Loan Bank Note	5.000	10/06/09	15,000,000	15,010,350	15,093,750
Fed. Home Loan Bank Note	5.330	03/06/12	9,000,000	9,059,063	9,017,169
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	9,987,500
Fed. Home Loan Bank Note	4.350	01/30/13	10,000,000	10,000,000	10,015,600
Fed. Home Loan Bank Note	3.650	06/23/11	10,000,000	9,944,800	9,984,400
Total Investments			<u>\$ 260,115,000</u>	<u>\$ 259,335,725</u>	<u>\$ 262,315,307</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and Year ended June 30, 2008

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2008	Year Ended 6/30/2008
Carson City	\$ 4,388	\$ 15,175
Churchill	14,245	52,590
Clark	743,467	2,981,200
Douglas	5,615	26,640
Elko	45,887	184,921
Esmeralda	22,548	96,413
Eureka	2,965	9,103
Humboldt	-	-
Lander	3,344	10,561
Lincoln	627	3,942
Lyon	27,916	107,438
Mineral	4,527	7,679
Nye	100,302	286,295
Pershing	93	93
Storey	-	-
Washoe	365,489	1,661,842
White Pine	2,827	11,509
Total	<u>\$ 1,344,240</u>	<u>\$ 5,455,401</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Year ended June 30, 2008

County	<u>Schedule 3</u>	
	Quarter Ended 6/30/2008	Year Ended 6/30/2008
Carson City	\$ 460	\$ 10,481
Churchill	4,532	8,824
Clark	78,615	334,474
Douglas	8,114	25,460
Elko	15,335	43,580
Esmeralda	390	6,416
Eureka	1,730	4,995
Humboldt	2,329	13,273
Lander	985	3,227
Lincoln	2,160	5,825
Lyon	2,620	19,123
Mineral	285	1,310
Nye	1,865	10,529
Pershing	855	9,096
Storey	-	-
Washoe	32,189	126,898
White Pine	2,859	14,301
Total	<u>\$ 155,323</u>	<u>\$ 637,812</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended June 30, 2008

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	6.000 %	\$ 10,000,000	\$ 123,804
Fed. Farm Credit Bank	3.375	10,000,000	70,312
Fed. Farm Credit Bank	3.300	7,300,000	60,225
Fed. Farm Credit Bank	3.300	10,000,000	82,500
Fed. Farm Credit Bank	3.850	7,675,000	73,872
Fed. Farm Credit Bank	4.875	7,000,000	85,313
Fed. Farm Credit Bank	3.375	10,000,000	84,375
Fed. Farm Credit Bank	5.250	10,000,000	131,250
Fed. Farm Credit Bank	4.200	10,000,000	105,000
Fed. Farm Credit Bank	3.750	15,000,000	117,187
Fed. Farm Credit Bank	3.980	20,000,000	165,833
Fed. Farm Credit Bank	3.980	13,000,000	86,233
Fed. Farm Credit Bank	5.250	15,000,000	65,625
Fed. Home Loan Bank Note	4.000	13,000,000	91,661
Fed. Home Loan Bank Note	4.125	10,000,000	124,375
Fed. Home Loan Bank Note	4.000	7,000,000	70,000
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
Fed. Home Loan Bank Note	4.250	13,000,000	35,008
Fed. Home Loan Bank Note	4.800	4,000,000	24,381
Fed. Home Loan Bank Note	5.500	10,000,000	91,667
Fed. Home Loan Bank Note	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.550	10,000,000	92,500
Fed. Home Loan Bank Note	5.250	11,000,000	144,375
Fed. Home Loan Bank Note	5.330	19,640,000	261,703
Fed. Home Loan Bank Note	5.230	8,000,000	104,600
Fed. Home Loan Bank Note	5.000	15,000,000	187,500
Fed. Home Loan Bank Note	5.330	9,000,000	139,913
Fed. Home Loan Bank Note	4.150	10,000,000	103,750
Fed. Home Loan Bank Note	4.350	10,000,000	108,750
Fed. Home Loan Bank Note	3.250	5,000,000	20,331
US Treasury Notes	2.625	4,000,000	12,225
Total interest on investments			<u>3,045,843</u>
 Treasurer's interest distribution			 <u>146,657</u>
Total interest			<u>3,192,500</u>
 Change in fair value of investments			 <u>(3,376,875)</u>
Total investment income (loss) earned for the quarter			<u><u>(\$184,375)</u></u>