

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2009
(Unaudited)

KIM R. WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
CMA, CFM, CPA
State Controller

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



KAREN HOPPE
Acting Chief Deputy Controller

ALEX ECHO
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**OFFICE OF THE
STATE CONTROLLER**

August 25, 2009

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, 2009.

Sincerely,

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

Kim R. Wallin
State Controller

KRW:dt

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 2009
(Unaudited)

Exhibit A

Assets	<u>6/30/09</u>	<u>6/30/08</u>
Cash and cash equivalents	\$ 11,968,383	\$ 25,860,168
Accrued interest		
Investments	2,600,260	2,310,786
Treasurer	56,002	146,657
Total accrued interest	<u>2,656,262</u>	<u>2,457,443</u>
Receivables		
Land sales	42,129	48,251
Fines and penalties	620,663	672,613
Purchased interest	90,285	382,299
Total receivables	<u>753,077</u>	<u>1,103,163</u>
Investments		
U.S. Government securities	<u>285,217,117</u>	<u>262,315,307</u>
Total Assets	<u><u>\$ 300,594,839</u></u>	<u><u>\$ 291,736,081</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 8,396,617	\$ 6,305,572
Due to heirs	539,273	879,816
Total liabilities	<u>8,935,890</u>	<u>7,185,388</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>291,658,949</u>	<u>284,550,693</u>
Total Liabilities and Fund Balances	<u><u>\$ 300,594,839</u></u>	<u><u>\$ 291,736,081</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, 2009

(Unaudited)

	<u>Quarter Ended 6/30/2009</u>	<u>Exhibit B Year Ended 6/30/2009</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,705,344	\$ 5,356,837
District Courts	172,099	979,834
Other Fines and Penalties	<u>2,250</u>	<u>73,350</u>
Total fines	1,879,693	6,410,021
Investment income (loss)	1,774,042	15,425,045
Land sales	42,130	663,222
Escheated estates	40,987	(54,928)
Miscellaneous	<u>4,963</u>	<u>89,941</u>
Total revenues	<u>3,741,815</u>	<u>22,533,301</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(1,774,042)</u>	<u>(15,425,045)</u>
Net change in fund balances	1,967,773	7,108,256
Fund balances, beginning of period	<u>289,691,176</u>	<u>284,550,693</u>
Fund balances, June 30, 2009	<u><u>\$ 291,658,949</u></u>	<u><u>\$ 291,658,949</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, 2009 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	38,103,000.00	\$	31,209,000.00
Churchill		22,680,000.00		17,235,000.00
Douglas		17,960,000.00		5,245,000.00
Eureka		3,975,000.00		1,839,000.00
Humboldt		8,025,000.00		3,795,000.00
Lincoln		6,100,000.00		5,528,000.00
Lyon		23,330,000.00		16,745,000.00
Mineral		4,425,000.00		3,475,000.00
Nye		38,735,000.00		28,055,000.00
Pershing		8,135,000.00		4,425,000.00
Storey		10,950,000.00		10,610,000.00
White Pine		5,040,000.00		4,590,000.00

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, 2009, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,521,823.47. 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, 2009, funds held by the State Treasurer earned interest at an effective rate of 1.57 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, 2009

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	4.875	02/18/11	\$ 7,000,000	\$ 6,986,210	\$ 7,433,160
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	10,134,400
Fed. Farm Credit Bank	3.750	01/24/11	15,000,000	15,213,000	15,032,850
Fed. Farm Credit Bank	4.230	04/23/10	13,000,000	13,000,000	13,390,000
Fed. Farm Credit Bank	5.250	08/03/09	15,000,000	15,448,050	15,065,700
Fed. Farm Credit Bank	4.900	07/08/13	15,000,000	14,996,250	15,360,900
Fed. Farm Credit Bank	4.750	08/13/13	10,000,000	10,000,000	10,053,100
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,050,000
Fed. Farm Credit Bank	4.250	10/15/13	7,000,000	7,000,000	7,236,250
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,048,450
Fed. Farm Credit Bank	2.850	02/11/13	10,000,000	9,960,000	10,028,100
Fed. Farm Credit Bank	3.000	02/25/13	7,500,000	7,500,000	7,558,575
Fed. Farm Credit Bank	2.990	04/14/14	10,000,000	9,998,500	9,981,300
Fed. Farm Credit Bank	2.020	04/20/12	9,500,000	9,500,000	9,529,735
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,153,160
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,699,375
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,446,900
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,393,800
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	10,209,400
Fed. Home Loan Bank Note	3.650	06/23/11	10,000,000	9,944,800	10,287,500
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,444,080
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,868,800
Fed. Home Loan Bank Note	2.625	01/22/13	9,200,000	9,135,600	9,208,648
Fed. Home Loan Bank Note	2.700	01/28/13	8,620,000	8,572,859	8,649,653
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	15,057,581
Fed. Home Loan Bank Note	2.850	01/14/14	15,000,000	14,842,500	14,925,000
U.S. Treasury Bill	0.280	12/10/09	10,000,000	9,985,922	9,986,200
U.S. Treasury Bill	0.315	12/17/09	10,000,000	9,984,163	9,984,500
Total Investments			<u>\$ 278,170,000</u>	<u>\$ 279,931,204</u>	<u>\$ 285,217,117</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and Year ended June 30, 2009

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2009	Year Ended 6/30/2009
Carson City	\$ 6,850	\$ 24,569
Churchill	15,947	51,216
Clark	1,108,803	2,928,355
Douglas	11,759	39,449
Elko	52,821	176,849
Esmeralda	21,503	95,833
Eureka	1,194	13,242
Humboldt	-	-
Lander	2,570	9,895
Lincoln	-	1,056
Lyon	44,644	139,641
Mineral	263	5,266
Nye	61,368	246,797
Pershing	100	795
Storey	-	-
Washoe	373,422	1,605,074
White Pine	4,100	18,800
Total	<u>\$ 1,705,344</u>	<u>\$ 5,356,837</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and Year ended June 30, 2009

County	<u>Schedule 3</u>	
	Quarter Ended 6/30/2009	Year Ended 6/30/2009
Carson City	\$ 1,471	\$ 13,319
Churchill	2,710	8,512
Clark	90,243	274,505
Douglas	4,264	20,243
Elko	8,175	43,001
Esmeralda	-	39
Eureka	2,320	6,250
Humboldt	3,227	10,174
Lander	545	3,789
Lincoln	1,680	12,770
Lyon	4,231	17,197
Mineral	305	895
Nye	1,814	393,326
Pershing	1,195	2,456
Storey	-	-
Washoe	46,468	157,868
White Pine	3,451	15,490
Total	<u>\$ 172,099</u>	<u>\$ 979,834</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended June 30, 2009

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	4.875 %	\$ 7,000,000	\$ 85,312
Fed. Farm Credit Bank	5.250	10,000,000	137,011
Fed. Farm Credit Bank	4.200	10,000,000	105,000
Fed. Farm Credit Bank	3.750	15,000,000	140,625
Fed. Farm Credit Bank	3.980	20,000,000	41,206
Fed. Farm Credit Bank	4.230	13,000,000	151,016
Fed. Farm Credit Bank	5.250	15,000,000	196,875
Fed. Farm Credit Bank	4.900	15,000,000	183,750
Fed. Farm Credit Bank	4.750	10,000,000	118,750
Fed. Farm Credit Bank	5.875	8,000,000	117,500
Fed. Farm Credit Bank	4.250	7,000,000	74,375
Fed. Farm Credit Bank	2.500	5,000,000	31,250
Fed. Farm Credit Bank	2.850	10,000,000	71,250
Fed. Farm Credit Bank	3.000	7,500,000	56,250
Fed. Farm Credit Bank	2.990	10,000,000	62,292
Fed. Farm Credit Bank	2.020	9,500,000	31,983
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	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.550	10,000,000	113,750
Fed. Home Loan Bank Note	5.250	11,000,000	126,734
Fed. Home Loan Bank Note	4.150	10,000,000	103,750
Fed. Home Loan Bank Note	3.650	10,000,000	91,250
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	2.625	9,200,000	60,375
Fed. Home Loan Bank Note	2.700	8,620,000	58,185
Fed. Home Loan Bank Note	4.875	13,850,000	168,797
Fed. Home Loan Bank Note	2.850	15,000,000	106,875
U.S. Treasury Bill	0.280	10,000,000	1,167
Total interest on investments			2,891,903
Treasurer's interest distribution			56,002
Total interest			2,947,905
Change in fair value of investments			(1,173,863)
Total investment income for the quarter			\$ 1,774,042