

STATE OF NEVADA
PERMANENT SCHOOL FUND

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

KIM R. WALLIN, CMA, CFM, CPA
STATE CONTROLLER
CARSON CITY, NEVADA

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State Controller

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



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Acting Chief Deputy Controller

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**OFFICE OF THE
STATE CONTROLLER**

December 28, 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 September 30, 2009.

Sincerely,

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

Kim R. Wallin, CMA, CFM, CPA
State Controller

KRW:dt

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
September 30, 2009 and 2008
(Unaudited)

Exhibit A

Assets	<u>9/30/09</u>	<u>9/30/08</u>
Cash and cash equivalents	\$ 8,000,389	\$ 12,340,529
Accrued interest		
Investments	2,154,379	2,668,312
Treasurer	190,195	116,224
Total accrued interest	<u>2,344,574</u>	<u>2,784,536</u>
Receivables		
Land sales	251,188	121,565
Fines and penalties	627,778	511,301
Purchased interest	25,359	15,111
Total receivables	<u>904,325</u>	<u>647,977</u>
Investments		
U.S. Government securities	<u>290,839,559</u>	<u>276,611,013</u>
Total Assets	<u><u>\$ 302,088,847</u></u>	<u><u>\$ 292,384,055</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 7,690,732	\$ 5,405,221
Due to heirs	511,307	836,780
Total liabilities	<u>8,202,039</u>	<u>6,242,001</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>293,886,808</u>	<u>286,142,054</u>
Total Liabilities and Fund Balances	<u><u>\$ 302,088,847</u></u>	<u><u>\$ 292,384,055</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 Quarters ended September 30, 2009 and 2008
(Unaudited)

Exhibit B

Revenues	Quarter Ended 9/30/2009	Quarter Ended 9/30/2008
Fines - State Penal Laws		
Justice Courts	\$ 1,774,352	\$ 1,235,706
District Courts	168,314	159,805
Other Fines and Penalties	<u>-</u>	<u>5,600</u>
Total fines	1,942,666	1,401,111
Investment income (loss)	2,404,819	2,425,639
Land sales	251,188	121,565
Escheated estates	(8,354)	(12,855)
Miscellaneous	<u>42,359</u>	<u>81,540</u>
Total revenues	<u>4,632,678</u>	<u>4,017,000</u>
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(2,404,819)</u>	<u>(2,425,639)</u>
Net change in fund balances	2,227,859	1,591,361
Fund balances, beginning of period	<u>291,658,949</u>	<u>284,550,693</u>
Fund balances, September 30	<u>\$ 293,886,808</u>	<u>\$ 286,142,054</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, 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		44,875,000.00		38,290,000.00
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 September 30, 2009, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$38,416,636.49. 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 September 30, 2009, funds held by the State Treasurer earned interest at an effective rate of 1.62 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
September 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	\$ 7,391,580
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	10,109,400
Fed. Farm Credit Bank	4.230	04/23/10	13,000,000	13,000,000	13,280,280
Fed. Farm Credit Bank	4.900	07/08/13	15,000,000	14,996,250	15,187,500
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,100,000
Fed. Farm Credit Bank	4.250	10/15/13	7,000,000	7,000,000	7,216,580
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,078,150
Fed. Farm Credit Bank	2.850	02/11/13	10,000,000	9,960,000	10,046,900
Fed. Farm Credit Bank	3.000	02/25/13	7,500,000	7,500,000	7,556,250
Fed. Farm Credit Bank	2.990	04/14/14	10,000,000	9,998,500	10,021,900
Fed. Farm Credit Bank	2.020	04/20/12	9,500,000	9,500,000	9,559,375
Fed. Farm Credit Bank	2.350	03/15/13	10,000,000	9,990,000	10,009,400
Fed. Farm Credit Bank	1.950	09/17/12	20,000,000	20,000,000	20,025,000
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,094,080
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,668,465
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,337,500
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,300,000
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	10,125,000
Fed. Home Loan Bank Note	3.650	06/23/11	10,000,000	9,944,800	10,246,900
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,566,580
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	11,025,000
Fed. Home Loan Bank Note	2.700	01/28/13	8,620,000	8,572,859	8,673,875
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	15,157,163
Fed. Home Loan Bank Note	2.850	01/14/14	15,000,000	14,842,500	15,075,000
Fed. Home Loan Bank Note	2.250	08/20/10	7,015,000	7,062,000	7,074,207
Fed. Home Loan Bank Note	2.150	08/24/12	10,960,000	11,015,238	11,025,102
Fed. Home Loan Bank Note	2.300	03/25/13	6,885,000	6,881,558	6,891,472
U.S. Treasury Bill	0.280	12/10/09	10,000,000	9,985,922	9,998,700
U.S. Treasury Bill	0.315	12/17/09	10,000,000	9,984,163	9,998,200
Total Investments			<u>\$ 283,830,000</u>	<u>\$ 285,083,350</u>	<u>\$ 290,839,559</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarters ended September 30, 2009 and 2008

County	<u>Schedule 2</u>	
	Quarter Ended 9/30/2009	Quarter Ended 9/30/2008
Carson City	\$ 3,484	\$ 6,590
Churchill	15,768	10,813
Clark	1,228,139	604,045
Douglas	7,599	8,594
Elko	41,624	38,768
Esmeralda	19,183	27,381
Eureka	1,864	4,990
Humboldt	-	-
Lander	3,999	4,693
Lincoln	-	532
Lyon	21,463	31,937
Mineral	481	3,579
Nye	50,688	68,281
Pershing	487	378
Storey	-	-
Washoe	375,556	418,105
White Pine	4,017	7,020
Total	\$ 1,774,352	\$ 1,235,706

STATE OF NEVADA
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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarters ended September 30, 2009 and 2008

County	Quarter Ended 9/30/2009	Schedule 3 Quarter Ended 9/30/2008
Carson City	\$ 6,213	\$ 4,314
Churchill	7,155	931
Clark	70,241	72,588
Douglas	3,313	7,346
Elko	10,738	11,926
Esmeralda	-	14
Eureka	50	2,605
Humboldt	3,809	820
Lander	735	1,720
Lincoln	5,470	4,250
Lyon	2,954	3,380
Mineral	2,365	100
Nye	538	2,135
Pershing	1,375	749
Storey	-	-
Washoe	50,514	40,653
White Pine	2,844	6,274
Total	\$ 168,314	\$ 159,805

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended September 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	4.200	10,000,000	105,000
Fed. Farm Credit Bank	3.750	15,000,000	46,875
Fed. Farm Credit Bank	4.230	13,000,000	137,475
Fed. Farm Credit Bank	5.250	15,000,000	98,438
Fed. Farm Credit Bank	4.900	15,000,000	183,750
Fed. Farm Credit Bank	4.750	10,000,000	59,375
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	74,750
Fed. Farm Credit Bank	2.020	9,500,000	47,975
Fed. Farm Credit Bank	2.350	10,000,000	9,139
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	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	34,212
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
Fed. Home Loan Bank Note	2.150	10,960,000	2,192
Fed. Home Loan Bank Note	2.300	6,885,000	5,891
U.S. Treasury Bill	2.800	10,000,000	7,000
U.S. Treasury Bill	3.150	10,000,000	7,875
Total interest on investments			2,355,066
 Treasurer's interest distribution			 190,195
Total interest			2,545,261
 Change in fair value of investments			 (140,442)
Total investment income for the quarter			\$ 2,404,819