

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2009
(Unaudited)

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

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State Controller

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Assistant Controller

STATE OF NEVADA



KAREN HOPPE
Chief Deputy Controller

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**OFFICE OF THE
STATE CONTROLLER**

February 23, 2010

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 December 31, 2009.

Sincerely,

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

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

KRW:dt

Legislative Counsel Bureau (2)
State Board of Education (2)
Department of Administration (2)
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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
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BALANCE SHEETS
December 31, 2009 and 2008
(Unaudited)

Exhibit A

Assets	<u>12/31/09</u>	<u>12/31/08</u>
Cash and cash equivalents	\$ 10,623,761	\$ 30,709,360
Accrued interest		
Investments	2,124,482	2,856,037
Treasurer	37,385	104,009
Total accrued interest	<u>2,161,867</u>	<u>2,960,046</u>
Receivables		
Land sales	68,016	398,964
Fines and penalties	524,840	596,395
Purchased interest	24,707	6,528
Total receivables	<u>617,563</u>	<u>1,001,887</u>
Investments		
U.S. Government securities	<u>289,022,349</u>	<u>265,898,346</u>
Total Assets	<u><u>\$ 302,425,540</u></u>	<u><u>\$ 300,569,639</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 6,361,727	\$ 11,838,412
Due to heirs	467,341	698,953
Total liabilities	<u>6,829,068</u>	<u>12,537,365</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>295,596,472</u>	<u>288,032,274</u>
Total Liabilities and Fund Balances	<u><u>\$ 302,425,540</u></u>	<u><u>\$ 300,569,639</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 six months ended December 31, 2009
(Unaudited)

Exhibit B

Revenues	Quarter Ended 12/31/2009	Six Months Ended 12/31/2009
Fines - State Penal Laws		
Justice Courts	\$ 1,466,982	\$ 3,241,334
District Courts	144,799	313,113
Other Fines and Penalties	43,000	43,000
Total fines	1,654,781	3,597,447
Investment income (loss)	605,519	3,010,338
Land sales	68,016	319,204
Escheated estates	(13,133)	(21,487)
Miscellaneous	-	42,359
Total revenues	2,315,183	6,947,861
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(605,519)	(3,010,338)
Net change in fund balances	1,709,664	3,937,523
Fund balances, beginning of period	293,886,808	291,658,949
Fund balances, December 31	\$ 295,596,472	\$ 295,596,472

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 December 31, 2009 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	38,103,000.00	\$	31,155,000.00
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		5,428,000.00
Lyon		44,875,000.00		38,290,000.00
Mineral		4,425,000.00		3,475,000.00
Nye		38,735,000.00		24,730,000.00
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 December 31, 2009, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$14,677,131.55. 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 December 31, 2009, funds held by the State Treasurer earned interest at an effective rate of .96 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.

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SCHEDULE OF INVESTMENTS
December 31, 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	\$ 7,325,920
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	10,040,600
Fed. Farm Credit Bank	4.230	04/23/10	13,000,000	13,000,000	13,158,470
Fed. Farm Credit Bank	4.900	07/08/13	15,000,000	14,996,250	15,009,450
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,005,040
Fed. Farm Credit Bank	4.250	10/15/13	7,000,000	7,000,000	7,183,750
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,081,250
Fed. Farm Credit Bank	2.850	02/11/13	10,000,000	9,960,000	10,021,900
Fed. Farm Credit Bank	3.000	02/25/13	7,500,000	7,500,000	7,525,800
Fed. Farm Credit Bank	2.990	04/14/14	10,000,000	9,998,500	9,996,900
Fed. Farm Credit Bank	2.020	04/20/12	9,500,000	9,500,000	9,541,610
Fed. Farm Credit Bank	1.950	09/17/12	20,000,000	20,000,000	20,050,000
Fed. Farm Credit Bank	1.850	12/28/12	10,000,000	9,995,000	9,900,000
Fed. Farm Credit Bank	1.850	12/28/12	10,000,000	10,000,000	9,900,000
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,028,420
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,623,750
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,221,900
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,200,000
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	10,025,000
Fed. Home Loan Bank Note	3.650	06/23/11	10,000,000	9,944,800	10,156,300
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,586,250
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	10,943,800
Fed. Home Loan Bank Note	2.700	01/28/13	8,620,000	8,572,859	8,633,447
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	15,014,231
Fed. Home Loan Bank Note	2.850	01/14/14	15,000,000	14,842,500	15,014,100
Fed. Home Loan Bank Note	2.250	08/20/10	7,015,000	7,062,001	7,056,669
Fed. Home Loan Bank Note	2.150	08/24/12	10,960,000	11,015,238	11,004,498
Fed. Home Loan Bank Note	2.300	03/25/13	6,885,000	6,881,558	6,876,394
Fed. Home Loan Bank Note	1.375	06/29/12	10,000,000	9,972,100	9,896,900
Total Investments			<u>\$ 283,830,000</u>	<u>\$ 285,090,366</u>	<u>\$ 289,022,349</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2009

	Schedule 2	
County	Quarter Ended 12/31/2009	Six Months Ended 12/31/2009
Carson City	\$ 6,270	\$ 9,754
Churchill	13,489	29,257
Clark	942,785	2,170,924
Douglas	7,175	14,774
Elko	38,322	79,946
Esmeralda	24,664	43,847
Eureka	950	2,814
Humboldt	-	-
Lander	2,197	6,196
Lincoln	-	-
Lyon	23,050	44,513
Mineral	200	681
Nye	57,681	108,369
Pershing	685	1,172
Storey	-	-
Washoe	346,187	721,743
White Pine	3,327	7,344
Total	\$ 1,466,982	\$ 3,241,334

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2009

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2009	Six Months Ended 12/31/2009
Carson City	\$ 5,869	\$ 12,082
Churchill	(45)	7,110
Clark	57,094	127,335
Douglas	4,307	7,620
Elko	10,301	21,039
Esmeralda	-	-
Eureka	250	300
Humboldt	1,410	5,219
Lander	555	1,290
Lincoln	4,570	10,040
Lyon	6,288	9,242
Mineral	497	2,862
Nye	2,410	2,948
Pershing	2,430	3,805
Storey	-	-
Washoe	47,591	98,105
White Pine	1,272	4,116
Total	\$ 144,799	\$ 313,113

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended December 31, 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	4.230	13,000,000	137,475
Fed. Farm Credit Bank	4.900	15,000,000	183,750
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	74,750
Fed. Farm Credit Bank	2.020	9,500,000	47,975
Fed. Farm Credit Bank	2.350	10,000,000	49,611
Fed. Farm Credit Bank	1.950	20,000,000	97,500
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	2.700	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	2.250	7,015,000	39,459
Fed. Home Loan Bank Note	2.150	10,960,000	58,910
Fed. Home Loan Bank Note	2.300	6,885,000	39,589
U.S. Treasury Bill	0.280	10,000,000	5,911
U.S. Treasury Bill	0.315	10,000,000	7,963
Total interest on investments			2,383,012
Treasurer's interest distribution			37,385
Total interest			2,420,397
Change in fair value of investments			(1,814,878)
Total investment income for the quarter			\$ 605,519