

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED MARCH 31, 2010**  
**(Unaudited)**

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

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

MARK TAYLOR  
*Assistant Controller*

STATE OF NEVADA



KAREN HOPPE  
*Chief Deputy Controller*

ALEX ECHO  
*Data Processing Manager*

**OFFICE OF THE  
STATE CONTROLLER**

June 2, 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 March 31, 2010.

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)  
Department of Conservation (2)  
Department of Education (1)  
Office of the State Treasurer (1)  
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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEETS**  
March 31, 2010 and 2009  
(Unaudited)

Exhibit A

| <b>Assets</b>                                 | <u><b>3/31/10</b></u>        | <u><b>3/31/09</b></u>        |
|---|------------------------------|------------------------------|
| Cash and cash equivalents                     | \$ 20,407,868                | \$ 8,640,938                 |
| Accrued interest                              |                              |                              |
| Investments                                   | 1,957,053                    | 2,596,301                    |
| Treasurer                                     | 22,743                       | 101,607                      |
| Total accrued interest                        | <u>1,979,796</u>             | <u>2,697,908</u>             |
| Receivables                                   |                              |                              |
| Land sales                                    | 86,000                       | 100,564                      |
| Fines and penalties                           | 762,679                      | 237,688                      |
| Purchased interest                            | 34,000                       | 250,605                      |
| Total receivables                             | <u>882,679</u>               | <u>588,857</u>               |
| Investments                                   |                              |                              |
| U.S. Government securities                    | <u>280,577,792</u>           | <u>287,902,174</u>           |
| <b>Total Assets</b>                           | <u><u>\$ 303,848,135</u></u> | <u><u>\$ 299,829,877</u></u> |
| <br><b>Liabilities</b>                        |                              |                              |
| Due to (from) the Distributive School Account | \$ 5,496,900                 | \$ 9,579,991                 |
| Due to heirs                                  | 566,272                      | 558,710                      |
| Total liabilities                             | <u>6,063,172</u>             | <u>10,138,701</u>            |
| <br><b>Fund balances</b>                      |                              |                              |
| Reserved: Permanent Fund Principal            | <u>297,784,963</u>           | <u>289,691,176</u>           |
| <b>Total Liabilities and Fund Balances</b>    | <u><u>\$ 303,848,135</u></u> | <u><u>\$ 299,829,877</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 Nine Months Ended March 31, 2010  
(Unaudited)

Exhibit B

| <b>Revenues</b>                                | <b>Quarter<br/>Ended<br/>3/31/2010</b> | <b>Nine Months<br/>Ended<br/>3/31/2010</b> |
|--|--|--|
| Fines - State Penal Laws                       |  |  |
| Justice Courts                                 | \$ 1,543,677                           | \$ 4,785,011                               |
| District Courts                                | 180,714                                | 493,827                                    |
| Other Fines and Penalties                      | 600                                    | 43,600                                     |
| Total fines                                    | 1,724,991                              | 5,322,438                                  |
| Investment income (loss)                       | 1,564,917                              | 4,575,255                                  |
| Land sales                                     | 429,002                                | 748,206                                    |
| Escheated estates                              | 29,551                                 | 8,064                                      |
| Miscellaneous                                  | 4,947                                  | 47,306                                     |
| Total revenues                                 | 3,753,408                              | 10,701,269                                 |
| <b>Other Financing Sources (Uses)</b>          |  |  |
| Transfer (to) from Distributive School Account | (1,564,917)                            | (4,575,255)                                |
| Net change in fund balances                    | 2,188,491                              | 6,126,014                                  |
| Fund balances, beginning of period             | 295,596,472                            | 291,658,949                                |
| Fund balances, March 31, 2010                  | \$ 297,784,963                         | \$ 297,784,963                             |

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 March 31, 2010 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                | 32,960,000.00          | 20,245,000.00    |
| Eureka                 | 3,975,000.00           | 1,839,000.00     |
| Humboldt               | 8,025,000.00           | 3,795,000.00     |
| Lincoln                | 6,100,000.00           | 5,423,000.00     |
| 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          | 10,280,000.00    |
| 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 March 31, 2010, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,226,018.11. 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 March 31, 2010, funds held by the State Treasurer earned interest at an effective rate of .67 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**  
March 31, 2010

Schedule 1

| <b>Fixed Income Securities</b> | <b>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Face<br/>Amount</b> | <b>Cost</b>           | <b>Fair<br/>Value</b> |
|--------------------------------|--------------------------|--------------------------|------------------------|-----------------------|-----------------------|
| Fed. Farm Credit Bank          | 4.875                    | 02/18/11                 | \$ 7,000,000           | \$ 6,986,210          | \$ 7,264,670          |
| Fed. Farm Credit Bank          | 4.230                    | 04/23/10                 | 13,000,000             | 13,000,000            | 13,028,470            |
| Fed. Farm Credit Bank          | 5.875                    | 10/03/16                 | 8,000,000              | 8,456,160             | 9,150,000             |
| Fed. Farm Credit Bank          | 4.250                    | 10/15/13                 | 7,000,000              | 7,000,000             | 7,142,170             |
| Fed. Farm Credit Bank          | 2.500                    | 01/14/13                 | 5,000,000              | 5,000,000             | 5,100,000             |
| Fed. Farm Credit Bank          | 2.990                    | 04/14/14                 | 10,000,000             | 9,998,500             | 10,009,400            |
| Fed. Farm Credit Bank          | 2.020                    | 04/20/12                 | 9,500,000              | 9,500,000             | 9,508,930             |
| Fed. Farm Credit Bank          | 1.950                    | 09/17/12                 | 20,000,000             | 20,000,000            | 20,112,600            |
| Fed. Farm Credit Bank          | 1.850                    | 12/28/12                 | 10,000,000             | 9,995,000             | 9,962,500             |
| Fed. Farm Credit Bank          | 1.850                    | 12/28/12                 | 10,000,000             | 10,000,000            | 9,962,500             |
| Fed. Home Loan Bank Note       | 3.660                    | 09/30/10                 | 5,500,000              | 5,386,755             | 5,591,080             |
| Fed. Home Loan Bank Note       | 5.250                    | 06/11/10                 | 10,000,000             | 9,884,900             | 10,096,900            |
| Fed. Home Loan Bank Note       | 4.550                    | 06/22/10                 | 10,000,000             | 9,638,900             | 10,096,900            |
| Fed. Home Loan Bank Note       | 3.650                    | 06/23/11                 | 10,000,000             | 9,944,800             | 10,075,000            |
| Fed. Home Loan Bank Note       | 4.750                    | 12/12/14                 | 7,000,000              | 7,107,100             | 7,605,920             |
| Fed. Home Loan Bank Note       | 4.875                    | 12/13/13                 | 10,000,000             | 10,283,500            | 10,940,600            |
| Fed. Home Loan Bank Note       | 4.875                    | 12/14/12                 | 13,850,000             | 15,131,125            | 15,035,976            |
| 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             | 7,058,844             |
| Fed. Home Loan Bank Note       | 2.150                    | 08/24/12                 | 10,960,000             | 11,015,238            | 11,025,102            |
| Fed. Home Loan Bank Note       | 1.375                    | 06/29/12                 | 10,000,000             | 9,972,100             | 9,968,800             |
| Fed. Home Loan Mgt. Corp.      | 1.875                    | 03/08/13                 | 26,000,000             | 26,028,600            | 25,904,580            |
| Fed. National Mortgage Assoc.  | 2.125                    | 01/25/13                 | 16,000,000             | 16,131,200            | 16,040,000            |
| Fed. National Mortgage Assoc.  | 1.800                    | 03/15/13                 | 25,000,000             | 25,000,000            | 24,882,750            |
| Total Investments              |                          |                          | <u>\$ 275,825,000</u>  | <u>\$ 277,364,589</u> | <u>\$ 280,577,792</u> |



**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**  
For the Quarter and Nine Months Ended March 31, 2010

| <b>County</b> | <b>Quarter<br/>Ended<br/>3/31/2010</b> | <b>Schedule 2<br/>Nine Months<br/>Ended<br/>3/31/2010</b> |
|---------------|--|---|
| Carson City   | \$ 3,997                               | \$ 13,751   |
| Churchill     | 15,691                                 | 44,948  |
| Clark         | 940,324                                | 3,111,248   |
| Douglas       | 9,227                                  | 24,001  |
| Elko          | 43,299                                 | 123,245   |
| Esmeralda     | 21,486                                 | 65,333  |
| Eureka        | 324                                    | 3,138   |
| Humboldt      | -                                      | -   |
| Lander        | 2,906                                  | 9,102   |
| Lincoln       | 975                                    | 975   |
| Lyon          | 22,495                                 | 67,008  |
| Mineral       | 971                                    | 1,652   |
| Nye           | 66,570                                 | 174,939   |
| Pershing      | 423                                    | 1,595   |
| Storey        | -                                      | -   |
| Washoe        | 411,491                                | 1,133,234   |
| White Pine    | <u>3,498</u>                           | <u>10,842</u>   |
| Total         | <u><u>\$ 1,543,677</u></u>             | <u><u>\$ 4,785,011</u></u>                                |

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**  
For the Quarter and Nine Months Ended March 31, 2010

| <b>County</b> | <u>Schedule 3</u>                      |  |
|---------------|--|--|
|               | <b>Quarter<br/>Ended<br/>3/31/2010</b> | <b>Nine Months<br/>Ended<br/>3/31/2010</b> |
| Carson City   | \$ 662                                 | \$ 12,744                                  |
| Churchill     | 2,022                                  | 9,132                                      |
| Clark         | 86,332                                 | 213,667                                    |
| Douglas       | 5,950                                  | 13,570                                     |
| Elko          | 12,160                                 | 33,199                                     |
| Esmeralda     | -                                      | -  |
| Eureka        | 2,140                                  | 2,440                                      |
| Humboldt      | 8,000                                  | 13,219                                     |
| Lander        | 1,015                                  | 2,305                                      |
| Lincoln       | 1,760                                  | 11,800                                     |
| Lyon          | 2,699                                  | 11,941                                     |
| Mineral       | 425                                    | 3,287                                      |
| Nye           | 2,662                                  | 5,610                                      |
| Pershing      | 425                                    | 4,230                                      |
| Storey        | -                                      | -  |
| Washoe        | 52,418                                 | 150,523                                    |
| White Pine    | 2,044                                  | 6,160                                      |
| <b>Total</b>  | <b>\$ 180,714</b>                      | <b>\$ 493,827</b>                          |

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended March 31, 2010

Schedule 4

**Interest:**

| <u>Investments:</u>                     | <u>Rate of<br/>Interest</u> | <u>Face<br/>Amount</u> | <u>Investment<br/>Income</u> |
|---|-----------------------------|------------------------|------------------------------|
| Fed. Farm Credit Bank                   | 4.875 %                     | \$ 7,000,000           | \$ 85,312                    |
| Fed. Farm Credit Bank                   | 4.200                       | 10,000,000             | 70,000                       |
| Fed. Farm Credit Bank                   | 4.230                       | 13,000,000             | 137,475                      |
| Fed. Farm Credit Bank                   | 4.900                       | 15,000,000             | 30,625                       |
| 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             | 35,625                       |
| Fed. Farm Credit Bank                   | 3.000                       | 7,500,000              | 37,500                       |
| 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                   | 1.950                       | 20,000,000             | 97,500                       |
| Fed. Farm Credit Bank                   | 1.850                       | 10,000,000             | 46,250                       |
| Fed. Farm Credit Bank                   | 1.850                       | 10,000,000             | 46,250                       |
| Fed. Home Loan Bank Note                | 4.000                       | 7,000,000              | 32,667                       |
| 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             | 34,583                       |
| 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              | 36,851                       |
| 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                       |
| Fed. Home Loan Bank Note                | 1.375                       | 10,000,000             | 34,375                       |
| Fed. Home Loan Bank Note                | 0.080                       | 10,000,000             | 622                          |
| Fed. Home Loan Bank Note                | 0.060                       | 10,000,000             | 217                          |
| Fed. Home Loan Bank Note                | 0.050                       | 5,700,000              | 111                          |
| Fed. Home Loan Bank Note                | 0.050                       | 25,000,000             | 382                          |
| Fed. Home Loan Bank Note                | 0.040                       | 10,000,000             | 133                          |
| Fed. Home Loan Bank Note                | 0.060                       | 15,700,000             | 78                           |
| Fed. Home Loan Bank Note                | 0.060                       | 16,000,000             | 107                          |
| Fed. National Mortgage Assoc.           | 2.125                       | 16,000,000             | 22,667                       |
| Fed. National Mortgage Assoc.           | 1.800                       | 25,000,000             | 18,750                       |
| Fed. Home Loan Mgt. Corp.               | 1.875                       | 26,000,000             | 20,312                       |
| Freddie Mac Discount Note               | 0.070                       | 15,000,000             | 1,225                        |
| Freddie Mac Discount Note               | 0.090                       | 25,000,000             | 750                          |
| U.S. Treasury Bill                      | 0.035                       | 16,000,000             | 109                          |
| Total interest on investments           |                             |                        | 2,141,531                    |
| Treasurer's interest distribution       |                             |                        | 22,743                       |
| Total interest                          |                             |                        | 2,164,274                    |
| Change in fair value of investments     |                             |                        | (599,357)                    |
| Total investment income for the quarter |                             |                        | \$ 1,564,917                 |