

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

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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
PERMANENT SCHOOL FUND

BALANCE SHEETS
March 31, 2010 and 2009
(Unaudited)

Exhibit A

Assets	<u>3/31/10</u>	<u>3/31/09</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>
Total Assets	<u><u>\$ 303,848,135</u></u>	<u><u>\$ 299,829,877</u></u>
 Liabilities		
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>
 Fund balances		
Reserved: Permanent Fund Principal	<u>297,784,963</u>	<u>289,691,176</u>
Total Liabilities and Fund Balances	<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

Revenues	Quarter Ended 3/31/2010	Nine Months Ended 3/31/2010
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
Other Financing Sources (Uses)		
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
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SCHEDULE OF INVESTMENTS
March 31, 2010

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	\$ 7,264,670
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>

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

Schedule 2

County	Quarter Ended 3/31/2010	Nine Months Ended 3/31/2010
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	3,498	10,842
Total	<u>\$ 1,543,677</u>	<u>\$ 4,785,011</u>

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

County	<u>Schedule 3</u>	
	Quarter Ended 3/31/2010	Nine Months Ended 3/31/2010
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
Total	\$ 180,714	\$ 493,827

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended March 31, 2010

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of</u> <u>Interest</u>	<u>Face</u> <u>Amount</u>	<u>Investment</u> <u>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