

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010
(Unaudited)

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STATE OF NEVADA



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**OFFICE OF THE
STATE CONTROLLER**

December 27, 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 September 30, 2010.

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 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
September 30, 2010 and 2009
(Unaudited)

Exhibit A

Assets	<u>9/30/10</u>	<u>9/30/09</u>
Cash and cash equivalents	\$ 13,165,427	\$ 8,000,389
Accrued interest		
Investments	1,524,684	2,154,379
Treasurer	5,313	190,195
Total accrued interest	<u>1,529,997</u>	<u>2,344,574</u>
Receivables		
Land sales	59,440	251,188
Fines and penalties	500,348	627,778
Purchased interest	79,986	25,359
Total receivables	<u>639,774</u>	<u>904,325</u>
Investments		
U.S. Government securities	<u>293,430,253</u>	<u>290,839,559</u>
Total Assets	<u><u>\$ 308,765,451</u></u>	<u><u>\$ 302,088,847</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 6,766,118	\$ 7,690,732
Due to heirs	555,698	511,307
Total liabilities	<u>7,321,816</u>	<u>8,202,039</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>301,443,635</u>	<u>293,886,808</u>
Total Liabilities and Fund Balances	<u><u>\$ 308,765,451</u></u>	<u><u>\$ 302,088,847</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, 2010 and 2009
(Unaudited)

Exhibit B

Revenues	Quarter Ended 9/30/2010	Quarter Ended 9/30/2009
Fines - State Penal Laws		
Justice Courts	\$ 1,326,215	\$ 1,774,352
District Courts	178,820	168,314
Other Fines and Penalties	601	-
	1,505,636	1,942,666
Total fines		
Investment income (loss)	2,708,320	2,404,819
Land sales	59,440	251,188
Escheated estates	527	(8,354)
Miscellaneous	3,205	42,359
	4,277,128	4,632,678
Total revenues		
Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	(2,708,320)	(2,404,819)
Net change in fund balances	1,568,808	2,227,859
Fund balances, beginning of period	299,874,827	291,658,949
Fund balances, September 30	\$ 301,443,635	\$ 293,886,808

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, 2010 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 26,578,000.00	\$ 17,090,000.00
Churchill	23,155,000.00	23,155,000.00
Douglas	24,250,000.00	19,385,000.00
Humboldt	2,950,000.00	2,950,000.00
Lincoln	6,750,000.00	6,032,000.00
Lyon	44,875,000.00	34,985,000.00
Mineral	4,425,000.00	3,105,000.00
Nye	42,900,000.00	39,375,000.00
Pershing	10,135,000.00	5,725,000.00
Storey	10,950,000.00	10,280,000.00
White Pine	5,040,000.00	4,105,000.00

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, 2010, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$8,118,324. 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, 2010, funds held by the State Treasurer earned interest at an effective rate of .35 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
September 30, 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	\$ 7,124,670
Fed. Farm Credit Bank	5.875	10/03/16	8,000,000	8,456,160	9,665,040
Fed. Farm Credit Bank	4.250	10/15/13	7,000,000	7,000,000	7,008,750
Fed. Farm Credit Bank	2.500	01/14/13	5,000,000	5,000,000	5,204,700
Fed. Farm Credit Bank	1.850	12/28/12	10,000,000	9,995,000	10,028,100
Fed. Farm Credit Bank	1.850	12/28/12	10,000,000	10,000,000	10,028,100
Fed. Farm Credit Bank	2.500	02/17/15	12,000,000	12,170,400	12,255,000
Fed. Farm Credit Bank	2.850	03/16/15	7,450,000	7,571,435	7,573,372
Fed. Farm Credit Bank	2.900	04/09/15	13,418,000	13,677,974	13,887,630
Fed. Home Loan Bank Note	4.750	12/12/14	7,000,000	7,107,100	7,960,330
Fed. Home Loan Bank Note	4.875	12/13/13	10,000,000	10,283,500	11,240,600
Fed. Home Loan Bank Note	4.875	12/14/12	13,850,000	15,131,125	15,139,851
Fed. Home Loan Bank Note	2.200	06/30/15	25,000,000	24,993,750	25,312,500
Fed. Home Loan Bank Note	2.200	07/15/15	20,000,000	20,000,000	20,256,200
Fed. Home Loan Bank Note	2.900	07/28/17	20,000,000	20,050,000	20,356,200
Fed. Home Loan Bank Note	1.820	08/24/15	11,000,000	11,000,000	11,027,500
Fed. Home Loan Bank Note	1.820	08/24/15	11,000,000	11,000,000	11,027,500
Fed. Home Loan Bank Note	1.820	09/30/15	21,000,000	21,000,000	21,000,000
Fed. Home Loan Mgt. Corp.	1.875	03/08/13	26,000,000	26,028,600	26,136,500
Fed. National Mortgage Assn.	2.125	01/25/13	16,000,000	16,131,200	16,064,960
Fed. National Mortgage Assn.	1.800	03/15/13	25,000,000	25,000,000	25,132,750
Total Investments			<u>\$ 285,718,000</u>	<u>\$ 288,582,454</u>	<u>\$ 293,430,253</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarters ended September 30, 2010 and 2009

Schedule 2

County	Quarter Ended 9/30/2010	Quarter Ended 9/30/2009
Carson City	\$ 5,814	\$ 3,484
Churchill	25,729	15,768
Clark	789,962	1,228,139
Douglas	8,031	7,599
Elko	36,358	41,624
Esmeralda	23,174	19,183
Eureka	325	1,864
Humboldt	-	-
Lander	2,010	3,999
Lincoln	1,425	-
Lyon	17,345	21,463
Mineral	256	481
Nye	55,585	50,688
Pershing	590	487
Storey	-	-
Washoe	355,506	375,556
White Pine	4,105	4,017
Total	<u>\$ 1,326,215</u>	<u>\$ 1,774,352</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarters ended September 30, 2010 and 2009

County	<u>Schedule 3</u>	
	Quarter Ended 9/30/2010	Quarter Ended 9/30/2009
Carson City	\$ 11,821	\$ 6,213
Churchill	1,142	7,155
Clark	53,588	70,241
Douglas	5,379	3,313
Elko	35,923	10,738
Esmeralda	-	-
Eureka	-	50
Humboldt	1,490	3,809
Lander	2,185	735
Lincoln	5,100	5,470
Lyon	2,349	2,954
Mineral	25	2,365
Nye	1,262	538
Pershing	2,798	1,375
Storey	-	-
Washoe	52,229	50,514
White Pine	3,529	2,844
Total	\$ 178,820	\$ 168,314

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended September 30, 2010

Schedule 4

	Rate of Interest	Face Amount	Investment Income
Interest on investments:			
Fed. Farm Credit Bank	4.875 %	\$ 7,000,000	\$ 85,313
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	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. Farm Credit Bank	2.770	12,000,000	83,100
Fed. Farm Credit Bank	2.850	7,450,000	53,081
Fed. Farm Credit Bank	2.900	13,418,000	97,281
Fed. Home Loan Bank Note	2.200	25,000,000	137,500
Fed. Home Loan Bank Note	3.660	5,500,000	50,325
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	4.875	13,850,000	168,797
Fed. Home Loan Bank Note	2.200	20,000,000	91,667
Fed. Home Loan Bank Note	2.900	20,000,000	96,667
Fed. Home Loan Bank Note	1.820	11,000,000	16,683
Fed. Home Loan Bank Note	1.820	11,000,000	16,683
Fed. Home Loan Bank Note	2.250	7,015,000	26,306
Fed. Home Loan Bank Note	2.150	10,960,000	39,273
Fed. National Mortgage Assoc.	2.125	16,000,000	85,000
Fed. National Mortgage Assoc.	1.800	25,000,000	112,500
Fed. Home Loan Mgt. Corp.	1.875	26,000,000	121,875
Interest on cash equivalents:			
Freddie Mac Discount Note	0.150	19,908,000	1,244
Freddie Mac Discount Note	0.150	21,001,000	1,138
Fed. Home Loan Bank Discount Note	0.030	20,000,000	150
Fed. Home Loan Bank Discount Note	0.140	19,909,000	77
Fed. Home Loan Bank Discount Note	0.160	3,015,000	107
Fed. Home Loan Bank Discount Note	0.100	20,051,000	279
Fed. Home Loan Bank Discount Note	0.160	4,354,000	542
Fed. Home Loan Bank Discount Note	0.120	11,362,000	151
U.S. Treasury Bill	0.030	23,016,000	307
Treasurer's interest distribution			5,314
Total interest			1,909,485
Change in fair value of investments			801,006
Less: custodial fees			(2,171)
Net investment income			\$ 2,708,320