

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED DECEMBER 31, 2006

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STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
December 31, 2006 and 2005

	<u>12/31/06</u>	<u>12/31/05</u>
		<u>Exhibit A</u>
Assets		
Cash and cash equivalents	\$ 17,835,801	\$ 11,929,745
Accrued interest		
Investments	2,149,340	1,761,892
Treasurer	176,855	106,341
Total accrued interest	<u>2,326,195</u>	<u>1,868,233</u>
Receivables		
Land sales	58,156	400,995
Fines and penalties	491,797	298,555
Purchased interest	1,528	193,729
Total receivables	<u>551,481</u>	<u>893,279</u>
Investments		
U.S. Government securities	<u>252,715,681</u>	<u>208,645,883</u>
Total Assets	<u><u>\$ 273,429,158</u></u>	<u><u>\$ 223,337,140</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 2,796,428	\$ 598,684
Due to heirs	743,759	668,017
Deferred Revenue	3,597	19,031
Total liabilities	<u>3,543,784</u>	<u>1,285,732</u>
Fund balances		
Reserved: Permanent Fund Principal	<u>269,885,374</u>	<u>222,051,408</u>
Total Liabilities and Fund Balances	<u><u>\$ 273,429,158</u></u>	<u><u>\$ 223,337,140</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, 2006

	<u>Quarter Ended 12/31/2006</u>	<u>Exhibit B Six Months Ended 12/31/2006</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,063,043	\$ 2,367,722
District Courts	170,995	347,317
Total fines	<u>1,234,038</u>	<u>2,715,039</u>
Investment income (loss)	3,141,353	8,951,827
Land sales	2,739,902	3,608,147
Escheated estates	35,313	27,107
Miscellaneous	88	4,122
Total revenues	<u>7,150,694</u>	<u>15,306,242</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(3,141,353)</u>	<u>(8,951,827)</u>
Net change in fund balances	4,009,341	6,354,415
Fund balances, beginning of period	<u>265,876,033</u>	<u>263,530,959</u>
Fund balances, December 31, 2006	<u>\$ 269,885,374</u>	<u>\$ 269,885,374</u>

The notes to the financial statements and schedules are an integral part of this statement.

STATE OF NEVADA
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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 \$25 million. Bond guarantees at December 31, 2006 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 22,603,000.00	\$ 20,499,000.00
Churchill	14,625,000.00	9,960,000.00
Douglas	14,460,000.00	12,340,000.00
Eureka	6,000,000.00	5,532,000.00
Humboldt	5,075,000.00	3,215,000.00
Lincoln	4,075,000.00	3,780,000.00
Lyon	23,330,000.00	21,300,000.00
Mineral	4,425,000.00	4,200,000.00
Nye	23,735,000.00	17,600,000.00
Pershing	5,135,000.00	3,385,000.00
Storey	7,800,000.00	7,800,000.00
Washoe	11,820,000.00	6,390,000.00
White Pine	7,510,000.00	6,245,000.00

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, 2006, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$15,115,656. 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, 2006, funds held by the State Treasurer earned interest at an effective rate of 4.69 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, 2006

Schedule 1

Fixed Income Securities	Interest Rate	Maturity Date	Face Amount	Cost	Fair Value
Fed. Farm Credit Bank	6.000	06/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,128,100
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,762,500
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,940,000
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,949,360
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,043,515
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,756,300
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,726,759
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,495,098
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,896,950
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	6,973,750
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,750,000
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,056,300
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,581,530
Fed. Home Loan Bank Note	2.625	02/16/07	6,100,000	6,117,690	6,080,968
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,831,300
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,429,148
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,805,330
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,257,670
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,916,124
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,837,500
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	3,982,520
Fed. Home Loan Bank Note	5.500	05/28/10	10,000,000	10,000,000	10,021,900
Fed. Home Loan Bank Note	5.500	11/30/10	10,000,000	10,000,000	9,965,600
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,100,000
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	9,878,100
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,058,410
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,738,409
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,871,900
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,880,640
Total Investments			<u>\$ 255,750,000</u>	<u>\$ 252,750,533</u>	<u>\$ 252,715,681</u>

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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2006

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2006	Six Months Ended 12/31/2006
Carson City	\$ 3,804	\$ 8,677
Churchill	13,312	27,566
Clark	469,223	1,150,815
Douglas	9,545	16,099
Elko	47,910	104,689
Esmeralda	19,252	41,896
Eureka	1,983	5,363
Humboldt	-	-
Lander	616	2,348
Lincoln	2,133	2,827
Lyon	30,919	54,841
Mineral	25	25
Nye	77,665	147,871
Pershing	328	1,061
Storey	-	-
Washoe	384,563	799,969
White Pine	1,765	3,675
Total	<u>\$ 1,063,043</u>	<u>\$ 2,367,722</u>

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2006

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2006	Six Months Ended 12/31/2006
Carson City	\$ 913	\$ 3,203
Churchill	6,439	9,832
Clark	104,306	217,261
Douglas	5,896	9,121
Elko	8,655	19,037
Esmeralda	-	25
Eureka	200	200
Humboldt	3,705	8,970
Lander	380	1,082
Lincoln	1,135	2,551
Lyon	2,990	6,137
Mineral	-	-
Nye	1,780	2,420
Pershing	1,500	1,590
Storey	-	-
Washoe	31,921	62,960
White Pine	1,175	2,928
Total	\$ 170,995	\$ 347,317

STATE OF NEVADA

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended December 31, 2006

Schedule 4

Interest:

<u>Investments:</u>	<u>Rate of Interest</u>	%	<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	6.000		\$ 10,000,000	\$ 150,000
Fed. Farm Credit Bank	2.700		10,000,000	45,000
Fed. Farm Credit Bank	3.375		10,000,000	84,375
Fed. Farm Credit Bank	2.150		8,000,000	43,000
Fed. Farm Credit Bank	3.500		6,000,000	52,500
Fed. Farm Credit Bank	3.300		7,300,000	60,225
Fed. Farm Credit Bank	4.180		10,000,000	104,500
Fed. Farm Credit Bank	3.300		10,000,000	82,500
Fed. Farm Credit Bank	3.850		7,675,000	73,872
Fed. Farm Credit Bank	4.200		15,000,000	157,500
Fed. Farm Credit Bank	4.875		7,000,000	85,313
Fed. Farm Credit Bank	3.375		10,000,000	84,375
Fed. Farm Credit Bank	5.250		10,000,000	116,667
Fed. Home Loan Bank Note	4.000		13,000,000	130,000
Fed. Home Loan Bank Note	2.625		6,100,000	40,031
Fed. Home Loan Bank Note	4.125		10,000,000	103,125
Fed. Home Loan Bank Note	3.845		6,525,000	62,722
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	4.350		8,975,000	97,603
Fed. Home Loan Bank Note	4.250		13,000,000	138,125
Fed. Home Loan Bank Note	4.800		4,000,000	48,000
Fed. Home Loan Bank Note	5.500		10,000,000	134,444
Fed. Home Loan Bank Note	5.500		10,000,000	45,833
Fed. Home Loan Bank Note	5.250		10,000,000	128,333
Fed. Home Loan Bank Note	4.550		10,000,000	106,166
Fed. Home Loan Bank Note	5.250		11,000,000	139,563
Fed National Mortgage Assoc.	5.750		10,675,000	153,453
Fed National Mortgage Assoc.	3.250		5,000,000	40,625
US Treasury Notes	2.625		4,000,000	26,250
Total interest on investments				2,654,425
Treasurer's interest distribution				176,855
Total interest				2,831,280
Change in fair value of investments				310,073
Total investment income earned for the quarter				3,141,353