

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2007

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
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State Controller

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



BILL REINHARD
Acting Chief Deputy Controller

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Data Processing Manager

**OFFICE OF THE
STATE CONTROLLER**

May 29, 2007

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, 2007.

Sincerely,

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

Kim Wallin
State Controller

KW:es

Legislative Counsel Bureau (2)
State Board of Education (2)
Department of Administration (2)
Department of Conservation (2)
Office of the State Treasurer (2)
State Board of Finance (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, 2007 and 2006

	<u>3/31/07</u>	<u>3/31/06</u>
<u>Exhibit A</u>		
Assets		
Cash and cash equivalents	\$ 6,878,448	\$ 15,797,455
Accrued interest		
Investments	2,522,020	1,669,466
Treasurer	223,709	133,096
Total accrued interest	<u>2,745,729</u>	<u>1,802,562</u>
Receivables		
Land sales	37,931	567,757
Fines and penalties	795,867	765,818
Purchased interest	1,528	18,666
Total receivables	<u>835,326</u>	<u>1,352,241</u>
Investments		
U.S. Government securities	<u>267,264,100</u>	<u>205,611,906</u>
Total Assets	<u><u>\$ 277,723,603</u></u>	<u><u>\$ 224,564,164</u></u>
Liabilities		
Due to (from) the Distributive School Account	\$ 3,892,801	\$ (240,623)
Due to heirs	819,317	673,405
Total liabilities	<u>4,712,118</u>	<u>432,782</u>
Fund balances		
Reserved: Permanent Fund Principal	<u>273,011,485</u>	<u>224,131,382</u>
Total Liabilities and Fund Balances	<u><u>\$ 277,723,603</u></u>	<u><u>\$ 224,564,164</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, 2007

	<u>Quarter Ended 3/31/2007</u>	<u>Exhibit B Nine Months Ended 3/31/2007</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,610,870	\$ 3,978,592
District Courts	182,587	529,904
Total fines	1,793,457	4,508,496
Investment income (loss)	3,927,653	12,879,480
Land sales	1,310,081	4,918,228
Escheated estates	22,569	49,676
Miscellaneous	4	4,126
Total revenues	<u>7,053,764</u>	<u>22,360,006</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(3,927,653)</u>	<u>(12,879,480)</u>
Net change in fund balances	3,126,111	9,480,526
Fund balances, beginning of period	<u>269,885,374</u>	<u>263,530,959</u>
Fund balances, March 31, 2007	<u><u>\$ 273,011,485</u></u>	<u><u>\$ 273,011,485</u></u>

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 \$25 million. Bond guarantees at March 31, 2007 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 March 31, 2007, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$17,278,048. 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, 2007, funds held by the State Treasurer earned interest at an effective rate of 5.18 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
March 31, 2007

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	\$ 10,115,600
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,812,500
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,997,520
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,973,780
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,088,928
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,815,600
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,789,471
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,533,473
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,934,450
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,006,580
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,803,100
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,081,300
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,658,750
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,871,900
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,453,617
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,846,910
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,292,045
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,935,779
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,882,220
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	3,990,000
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	9,984,400
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,128,100
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	9,921,900
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,082,500
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	19,701,473
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,731,684
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,904,700
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,903,920
Total Investments			<u>\$ 269,290,000</u>	<u>\$ 266,341,190</u>	<u>\$ 267,264,100</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2007

County	Schedule 2	
	Quarter Ended 3/31/2007	Nine Months Ended 3/31/2007
Carson City	\$ 3,419	\$ 12,096
Churchill	17,094	44,660
Clark	920,031	2,070,846
Douglas	9,729	25,828
Elko	54,537	159,226
Esmeralda	24,721	66,617
Eureka	5,356	10,719
Humboldt	-	-
Lander	2,802	5,150
Lincoln	2,157	4,984
Lyon	32,315	87,156
Mineral	410	435
Nye	79,251	227,122
Pershing	153	1,214
Storey	-	-
Washoe	456,890	1,256,859
White Pine	2,005	5,680
Total	<u>\$ 1,610,870</u>	<u>\$ 3,978,592</u>

STATE OF NEVADA

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2007

County	Schedule 3	
	Quarter Ended 3/31/2007	Nine Months Ended 3/31/2007
Carson City	\$ 5,693	\$ 8,896
Churchill	3,269	13,101
Clark	105,076	322,337
Douglas	4,706	13,827
Elko	17,814	36,851
Esmeralda	-	25
Eureka	2,970	3,170
Humboldt	4,003	12,973
Lander	1,112	2,194
Lincoln	5,923	8,474
Lyon	1,996	8,133
Mineral	750	750
Nye	6,880	9,300
Pershing	3,235	4,825
Storey	-	-
Washoe	15,960	78,920
White Pine	3,200	6,128
Total	<u>\$ 182,587</u>	<u>\$ 529,904</u>

STATE OF NEVADA

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SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended March 31, 2007

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	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	85,312
Fed. Farm Credit Bank	3.375	10,000,000	84,375
Fed. Farm Credit Bank	5.250	10,000,000	131,250
Fed. Home Loan Bank Note	4.000	13,000,000	130,000
Fed. Home Loan Bank Note	2.625	6,100,000	25,448
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	137,500
Fed. Home Loan Bank Note	5.500	10,000,000	137,500
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	5.250	11,000,000	144,375
Fed. Home Loan Bank Note	5.330	19,640,000	43,617
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			<u>2,763,077</u>
 Treasurer's interest distribution			 <u>223,709</u>
Total interest			 <u>2,986,786</u>
 Change in fair value of investments			 <u>940,867</u>
Total investment income earned for the quarter			 <u><u>3,927,653</u></u>