

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2007

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

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State Controller

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STATE OF NEVADA



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Acting Chief Deputy Controller

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**OFFICE OF THE
STATE CONTROLLER**

August 22, 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 June 30, 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

Table of Contents

	<u>Page</u>
Balance Sheets - Exhibit A	1
Statements of Revenues, Expenditures, and Changes in Fund Balances - Exhibit B	2
General Description of Fund	3
Revenue Sources	4
Summary of Significant Accounting Policies and Notes to Financial Statements	4
Schedule of Investments - Schedule 1	5
Schedule of Justice Court Fines by County - Schedule 2	6
Schedule of District Court Fines by County - Schedule 3	7
Schedule of Investment Income Earned - Schedule 4	8

STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
June 30, 2007 and 2006

	Exhibit A	
Assets	6/30/07	6/30/06
Cash and cash equivalents	\$ 10,033,715	\$ 10,643,371
Accrued interest		
Investments	2,435,185	1,911,163
Treasurer	105,521	334,893
Total accrued interest	2,540,706	2,246,056
Receivables		
Land sales	162,842	68,617
Fines and penalties	617,407	587,744
Purchased interest	32,542	331,313
Escheated estates	174,549	-
Total receivables	987,340	987,674
Investments		
U.S. Government securities	266,218,336	249,385,584
Total Assets	\$ 279,780,097	\$ 263,262,685
Liabilities		
Due to (from) the Distributive School Account	\$ 2,991,955	\$ (884,540)
Due to heirs	1,058,404	616,266
Total liabilities	4,050,359	(268,274)
Fund balances		
Reserved: Permanent Fund Principal	275,729,738	263,530,959
Total Liabilities and Fund Balances	\$ 279,780,097	\$ 263,262,685

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 Year ended June 30, 2007

	<u>Quarter Ended 6/30/2007</u>	<u>Exhibit B Year Ended 6/30/2007</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,575,346	\$ 5,553,938
District Courts	163,311	693,215
Other Fines and Penalties	12,000	12,000
	<u>1,750,657</u>	<u>6,259,153</u>
Total fines	1,750,657	6,259,153
Investment income (loss)	2,069,044	14,948,524
Land sales	837,842	5,756,070
Escheated estates	129,754	179,430
Miscellaneous	-	4,126
	<u>4,787,297</u>	<u>27,147,303</u>
Total revenues	4,787,297	27,147,303
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(2,069,044)</u>	<u>(14,948,524)</u>
Net change in fund balances	2,718,253	12,198,779
Fund balances, beginning of period	<u>273,011,485</u>	<u>263,530,959</u>
Fund balances, June 30, 2007	<u><u>\$ 275,729,738</u></u>	<u><u>\$ 275,729,738</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 June 30, 2007 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	22,603,000.00	\$	19,375,000.00
Churchill		14,625,000.00		7,850,000.00
Douglas		14,460,000.00		8,940,000.00
Eureka		6,000,000.00		4,994,000.00
Humboldt		5,075,000.00		2,450,000.00
Lincoln		4,075,000.00		3,780,000.00
Lyon		23,330,000.00		19,980,000.00
Mineral		4,425,000.00		4,165,000.00
Nye		23,735,000.00		16,940,000.00
Pershing		5,135,000.00		2,755,000.00
Storey		7,800,000.00		7,800,000.00
Washoe		11,820,000.00		3,090,000.00
White Pine		7,510,000.00		5,845,000.00

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 June 30, 2007, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$9,299,314. 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 June 30, 2007, funds held by the State Treasurer earned interest at an effective rate of 4.53 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
June 30, 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	\$ 10,065,600
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,825,000
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	6,000,000
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,084,350
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,759,400
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,783,150
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,511,906
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,971,950
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	6,919,080
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,809,400
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,012,500
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,561,250
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,843,800
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,463,861
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,794,410
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,245,625
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,952,563
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,870,000
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	10,000,000
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,015,600
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	9,825,000
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,010,340
Fed. Home Loan Bank Note	5.500	11/30/10	10,000,000	10,000,000	9,968,800
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	19,505,073
Fed. Home Loan Bank Note	5.230	03/19/12	8,000,000	7,978,800	7,907,520
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,698,378
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,912,500
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,918,760
Total Investments			<u>\$ 269,290,000</u>	<u>\$ 266,610,630</u>	<u>\$ 266,218,336</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and Year ended June 30, 2007

County	Quarter Ended 6/30/2007	<u>Schedule 2</u> Year Ended 6/30/2007
Carson City	\$ 3,717	\$ 15,813
Churchill	16,700	61,360
Clark	915,597	2,986,443
Douglas	10,139	35,967
Elko	55,971	215,197
Esmeralda	24,205	90,822
Eureka	3,377	14,096
Humboldt	-	-
Lander	2,933	8,083
Lincoln	690	5,674
Lyon	28,346	115,502
Mineral	208	643
Nye	80,797	307,919
Pershing	147	1,361
Storey	-	-
Washoe	431,054	1,687,913
White Pine	1,465	7,145
Total	<u>\$ 1,575,346</u>	<u>\$ 5,553,938</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND
SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and Year ended June 30, 2007

County	<u>Schedule 3</u>	
	Quarter Ended 6/30/2007	Year Ended 6/30/2007
Carson City	\$ 5,152	\$ 14,048
Churchill	2,044	15,145
Clark	100,415	422,752
Douglas	3,329	17,156
Elko	6,787	43,638
Esmeralda	-	25
Eureka	2,850	6,020
Humboldt	1,555	14,528
Lander	1,030	3,224
Lincoln	3,805	12,279
Lyon	2,611	10,744
Mineral	-	750
Nye	2,815	12,115
Pershing	345	5,170
Storey	-	-
Washoe	28,773	107,693
White Pine	1,800	7,928
Total	\$ 163,311	\$ 693,215

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended June 30, 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	8,543
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	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	135,972
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	261,703
Fed. Home Loan Bank Note	5.230	8,000,000	69,733
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			2,989,463
 Treasurer's interest distribution			 105,521
Total interest			3,094,984
 Change in fair value of investments			 (1,025,940)
Total investment income earned for the quarter			2,069,044