

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED September 30, 2007
(Unaudited)

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
CMA, CFM, CPA
State Controller

MARK TAYLOR
Assistant Controller

STATE OF NEVADA



KAREN HOPPE
Acting Chief Deputy Controller

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**OFFICE OF THE
STATE CONTROLLER**

November 27, 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 September 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)
Department of Education	(1)
Office of the State Treasurer	(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, 2007 and 2006
(Unaudited)

Exhibit A

Assets	<u>9/30/07</u>	<u>9/30/06</u>
Cash and cash equivalents	\$ 17,980,975	\$ 12,966,081
Accrued interest		
Investments	2,470,087	2,453,126
Treasurer	<u>283,655</u>	<u>127,375</u>
Total accrued interest	<u>2,753,742</u>	<u>2,580,501</u>
Receivables		
Land sales	31,046	149,425
Fines and penalties	549,946	636,306
Purchased interest	<u>356,398</u>	<u>178,500</u>
Total receivables	<u>937,390</u>	<u>964,231</u>
Investments		
U.S. Government securities	<u>263,352,346</u>	<u>252,405,608</u>
Total Assets	<u><u>\$ 285,024,453</u></u>	<u><u>\$ 268,916,421</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 5,873,940	\$ 2,445,525
Due to heirs	1,121,112	590,279
Deferred revenue	<u>-</u>	<u>4,584</u>
Total liabilities	<u>6,995,052</u>	<u>3,040,388</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>278,029,401</u>	<u>265,876,033</u>
Total Liabilities and Fund Balances	<u><u>\$ 285,024,453</u></u>	<u><u>\$ 268,916,421</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, 2007 and 2006
(Unaudited)

	<u>Quarter Ended 9/30/2007</u>	<u>Exhibit B Quarter Ended 9/30/2006</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,452,451	\$ 1,304,679
District Courts	159,103	176,322
Total fines	1,611,554	1,481,001
Investment income (loss)	6,266,234	5,810,474
Land sales	655,046	868,245
Escheated estates	18,731	(8,206)
Miscellaneous	14,332	4,034
Total revenues	<u>8,565,897</u>	<u>8,155,548</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(6,266,234)</u>	<u>(5,810,474)</u>
Net change in fund balances	2,299,663	2,345,074
Fund balances, beginning of period	<u>275,729,738</u>	<u>263,530,959</u>
Fund balances, September 30	<u><u>\$ 278,029,401</u></u>	<u><u>\$ 265,876,033</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 \$40 million. Bond guarantees at September 30, 2007 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 38,103,000.00	\$ 34,875,000.00
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	38,735,000.00	31,940,000.00
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 September 30, 2007, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$19,881,607. 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, 2007, funds held by the State Treasurer earned interest at an effective rate of 5.71 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
September 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	\$ 10,084,400
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,906,300
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,170,670
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,925,000
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,902,354
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,610,223
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,089,670
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,896,900
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,134,400
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,821,250
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,953,100
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,498,509
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,932,170
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,374,545
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,951,250
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	3,998,760
Fed. Home Loan Bank Note	5.500	05/28/10	10,000,000	10,000,000	10,059,400
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,203,100
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,028,100
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,140,910
Fed. Home Loan Bank Note	5.500	11/30/10	10,000,000	10,000,000	10,000,000
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	19,965,342
Fed. Home Loan Bank Note	5.230	03/19/12	8,000,000	7,978,800	8,045,040
Fed. Home Loan Bank Note	5.000	10/06/09	15,000,000	15,010,350	15,070,350
Fed. Home Loan Bank Note	5.330	03/06/12	9,000,000	9,059,063	8,969,936
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,704,997
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,953,150
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,962,520
Total Investments			<u>\$ 263,315,000</u>	<u>\$ 260,769,142</u>	<u>\$ 263,352,346</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarters ended September 30, 2007 and 2006

County	Schedule 2	
	Quarter Ended 9/30/2007	Quarter Ended 9/30/2006
Carson City	\$ 3,380	\$ 4,873
Churchill	13,473	14,254
Clark	816,953	681,592
Douglas	9,621	6,554
Elko	51,170	56,779
Esmeralda	20,612	22,644
Eureka	2,358	3,380
Humboldt	-	-
Lander	1,651	1,732
Lincoln	576	694
Lyon	27,289	23,922
Mineral	153	-
Nye	78,019	70,206
Pershing	-	733
Storey	-	-
Washoe	424,651	415,406
White Pine	2,545	1,910
Total	\$ 1,452,451	\$ 1,304,679

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarters ended September 30, 2007 and 2006

County	Schedule 3	
	Quarter Ended 9/30/2007	Quarter Ended 9/30/2006
Carson City	\$ 7,422	\$ 2,290
Churchill	1,020	3,393
Clark	79,263	112,955
Douglas	5,347	3,225
Elko	10,749	10,382
Esmeralda	4,876	25
Eureka	625	-
Humboldt	2,104	5,265
Lander	925	702
Lincoln	1,850	1,416
Lyon	7,311	3,147
Mineral	1,000	-
Nye	2,533	640
Pershing	195	90
Storey	-	-
Washoe	30,103	31,039
White Pine	3,780	1,753
Total	<u>\$ 159,103</u>	<u>\$ 176,322</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended September 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	3.500	6,000,000	5
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	107,672
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	101,234
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	258,795
Fed. Home Loan Bank Note	5.230	8,000,000	106,924
Fed. Home Loan Bank Note	5.000	15,000,000	31,250
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			2,949,289
 Treasurer's interest distribution			 283,655
Total interest			3,232,944
 Change in fair value of investments			 3,033,290
Total investment income earned for the quarter			\$6,266,234