

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED December 31, 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

ALEX ECHO
Data Processing Manager

**OFFICE OF THE
STATE CONTROLLER**

February 15, 2008

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 December 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)
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
December 31, 2007 and 2006
(Unaudited)

Exhibit A

Assets	<u>12/31/07</u>	<u>12/31/06</u>
Cash and cash equivalents	\$ 30,659,500	\$ 17,835,801
Accrued interest		
Investments	2,287,791	2,149,340
Treasurer	<u>352,836</u>	<u>176,855</u>
Total accrued interest	<u>2,640,627</u>	<u>2,326,195</u>
Receivables		
Land sales	49,518	58,156
Fines and penalties	464,279	491,797
Purchased interest	<u>29,315</u>	<u>1,528</u>
Total receivables	<u>543,112</u>	<u>551,481</u>
Investments		
U.S. Government securities	<u>255,257,904</u>	<u>252,715,681</u>
Total Assets	<u><u>\$ 289,101,143</u></u>	<u><u>\$ 273,429,158</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 7,720,401	\$ 2,796,428
Due to heirs	1,105,568	743,759
Deferred revenue	<u>-</u>	<u>3,597</u>
Total liabilities	<u>8,825,969</u>	<u>3,543,784</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>280,275,174</u>	<u>269,885,374</u>
Total Liabilities and Fund Balances	<u><u>\$ 289,101,143</u></u>	<u><u>\$ 273,429,158</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, 2007
(Unaudited)

	<u>Quarter Ended 12/31/2007</u>	<u>Exhibit B Six Months Ended 12/31/2007</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,283,461	\$ 2,735,912
District Courts	161,874	320,977
Total fines	1,445,335	3,056,889
Investment income (loss)	5,137,197	11,403,431
Land sales	803,361	1,458,407
Escheated estates	(4,642)	14,089
Miscellaneous	1,719	16,051
Total revenues	<u>7,382,970</u>	<u>15,948,867</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(5,137,197)</u>	<u>(11,403,431)</u>
Net change in fund balances	2,245,773	4,545,436
Fund balances, beginning of period	<u>278,029,401</u>	<u>275,729,738</u>
Fund balances, December 31, 2007	<u><u>\$ 280,275,174</u></u>	<u><u>\$ 280,275,174</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 December 31, 2007 were:

<u>School District</u>	<u>Original Amount</u>	<u>Balance</u>
Carson City	\$ 38,103,000.00	\$ 34,825,000.00
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	3,675,000.00
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 December 31, 2007, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$28,466,558. 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, 2007, funds held by the State Treasurer earned interest at an effective rate of 4.97 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
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SCHEDULE OF INVESTMENTS
December 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	\$ 10,065,600
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,950,000
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,213,757
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	10,000,000
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,961,856
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,667,785
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,253,750
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,946,900
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,225,000
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,975,690
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	10,009,400
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,518,867
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,056,910
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,501,705
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,987,780
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	4,002,520
Fed. Home Loan Bank Note	5.500	05/28/10	10,000,000	10,000,000	10,056,300
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,381,300
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,221,900
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,240,680
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	20,107,428
Fed. Home Loan Bank Note	5.230	03/19/12	8,000,000	7,978,800	8,102,480
Fed. Home Loan Bank Note	5.000	10/06/09	15,000,000	15,010,350	15,121,950
Fed. Home Loan Bank Note	5.330	03/06/12	9,000,000	9,059,063	9,033,772
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,688,344
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,976,550
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,989,680
Total Investments			<u>\$ 253,315,000</u>	<u>\$ 250,769,142</u>	<u>\$ 255,257,904</u>

STATE OF NEVADA
PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2007

County	<u>Schedule 2</u>	
	Quarter Ended 12/31/2007	Six Months Ended 12/31/2007
Carson City	\$ 3,522	\$ 6,902
Churchill	10,061	23,534
Clark	700,912	1,517,865
Douglas	9,195	18,816
Elko	46,087	97,257
Esmeralda	31,856	52,468
Eureka	3,240	5,598
Humboldt	-	-
Lander	1,641	3,292
Lincoln	1,414	1,990
Lyon	28,911	56,200
Mineral	1,026	1,179
Nye	60,207	138,226
Pershing	-	-
Storey	-	-
Washoe	382,937	807,588
White Pine	2,452	4,997
Total	\$ 1,283,461	\$ 2,735,912

STATE OF NEVADA
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SCHEDULE OF DISTRICT COURT FINES BY COUNTY
For the Quarter and six months ended December 31, 2007

County	<u>Schedule 3</u>	
	Quarter Ended 12/31/2007	Six Months Ended 12/31/2007
Carson City	\$ 967	\$ 8,389
Churchill	1,242	2,262
Clark	89,591	168,854
Douglas	7,658	13,005
Elko	10,989	21,738
Esmeralda	25	4,901
Eureka	2,000	2,625
Humboldt	4,034	6,138
Lander	595	1,520
Lincoln	1,300	3,150
Lyon	4,724	12,035
Mineral	-	1,000
Nye	2,475	5,008
Pershing	7,280	7,475
Storey	-	-
Washoe	26,717	56,820
White Pine	2,277	6,057
Total	\$ 161,874	\$ 320,977

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended December 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	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	4.875	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	62,721
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	4.250	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	13,750
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	104,600
Fed. Home Loan Bank Note	5.000	15,000,000	172,917
Fed. Home Loan Bank Note	5.330	9,000,000	119,925
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			2,878,803
Treasurer's interest distribution			352,836
Total interest			3,231,639
Change in fair value of investments			1,905,558
Total investment income earned for the quarter			\$5,137,197