

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED March 31, 2008
(Unaudited)

KIM WALLIN
STATE CONTROLLER
CARSON CITY, NEVADA

KIM R. WALLIN,
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State Controller

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Assistant Controller

STATE OF NEVADA



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Acting Chief Deputy Controller

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Data Processing Manager

**OFFICE OF THE
STATE CONTROLLER**

May 27, 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 March 31, 2008.

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
March 31, 2008 and 2007
(Unaudited)

Exhibit A

Assets	<u>3/31/08</u>	<u>3/31/07</u>
Cash and cash equivalents	\$ 29,070,505	\$ 6,878,448
Accrued interest		
Investments	2,473,136	2,522,020
Treasurer	361,616	223,709
Total accrued interest	<u>2,834,752</u>	<u>2,745,729</u>
Receivables		
Land sales	550,665	37,931
Fines and penalties	501,801	795,867
Purchased interest	-	1,528
Total receivables	<u>1,052,466</u>	<u>835,326</u>
Investments		
U.S. Government securities	<u>261,037,713</u>	<u>267,264,100</u>
Total Assets	<u><u>\$ 293,995,436</u></u>	<u><u>\$ 277,723,603</u></u>
 Liabilities		
Due to (from) the Distributive School Account	\$ 10,705,326	\$ 3,892,801
Due to heirs	946,905	819,317
Deferred revenue	26,850	-
Total liabilities	<u>11,679,081</u>	<u>4,712,118</u>
 Fund balances		
Reserved: Permanent Fund Principal	<u>282,316,355</u>	<u>273,011,485</u>
Total Liabilities and Fund Balances	<u><u>\$ 293,995,436</u></u>	<u><u>\$ 277,723,603</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, 2008
(Unaudited)

	<u>Quarter Ended 3/31/2008</u>	<u>Exhibit B Nine Months Ended 3/31/2008</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 1,375,249	\$ 4,111,161
District Courts	161,512	482,489
Total fines	1,536,761	4,593,650
Investment income (loss)	6,216,564	17,619,995
Land sales	550,665	2,009,072
Escheated estates	(47,393)	(33,304)
Miscellaneous	1,148	17,199
Total revenues	<u>8,257,745</u>	<u>24,206,612</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>(6,216,564)</u>	<u>(17,619,995)</u>
Net change in fund balances	2,041,181	6,586,617
Fund balances, beginning of period	<u>280,275,174</u>	<u>275,729,738</u>
Fund balances, March 31, 2008	<u><u>\$ 282,316,355</u></u>	<u><u>\$ 282,316,355</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 March 31, 2008 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	7,650,000.00
Washoe	11,820,000.00	3,090,000.00
White Pine	5,460,000.00	5,460,000.00

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, 2008, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$27,293,452. 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, 2008, funds held by the State Treasurer earned interest at an effective rate of 5.34 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
March 31, 2008

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	\$ 10,068,800
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	10,018,800
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	7,306,908
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	10,090,491
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,775,773
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	7,420,000
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	10,028,100
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	10,356,300
Fed. Farm Credit Bank	4.200	02/19/15	10,000,000	9,995,000	10,100,000
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	13,012,220
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	10,131,300
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	7,218,750
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,656,420
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	13,004,030
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	4,007,520
Fed. Home Loan Bank Note	5.500	05/28/10	10,000,000	10,000,000	10,053,100
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	10,618,800
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	10,475,000
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	11,385,000
Fed. Home Loan Bank Note	5.330	03/06/12	19,640,000	19,708,347	20,348,322
Fed. Home Loan Bank Note	5.230	03/19/12	8,000,000	7,978,800	8,177,520
Fed. Home Loan Bank Note	5.000	10/06/09	15,000,000	15,010,350	15,215,700
Fed. Home Loan Bank Note	5.330	03/06/12	9,000,000	9,059,063	9,141,999
Fed. Home Loan Bank Note	4.150	01/29/13	10,000,000	10,000,000	10,253,100
Fed. Home Loan Bank Note	4.350	01/30/13	10,000,000	10,000,000	10,162,500
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	5,004,700
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	4,006,560
Total Investments			<u>\$ 256,115,000</u>	<u>\$ 254,547,767</u>	<u>\$ 261,037,713</u>

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF JUSTICE COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2008

County	<u>Schedule 2</u>	
	Quarter Ended 3/31/2008	Nine Months Ended 3/31/2008
Carson City	\$ 3,885	\$ 10,787
Churchill	14,811	38,345
Clark	719,868	2,237,733
Douglas	2,209	21,025
Elko	41,777	139,034
Esmeralda	21,397	73,865
Eureka	540	6,138
Humboldt	-	-
Lander	3,925	7,217
Lincoln	1,325	3,315
Lyon	23,322	79,522
Mineral	1,973	3,152
Nye	47,767	185,993
Pershing	-	-
Storey	-	-
Washoe	488,765	1,296,353
White Pine	3,685	8,682
Total	\$ 1,375,249	\$ 4,111,161

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and nine months ended March 31, 2008

County	Schedule 3	
	Quarter Ended 3/31/2008	Nine Months Ended 3/31/2008
Carson City	\$ 1,632	\$ 10,021
Churchill	2,030	4,292
Clark	87,005	255,859
Douglas	4,341	17,346
Elko	6,507	28,245
Esmeralda	1,125	6,026
Eureka	640	3,265
Humboldt	4,806	10,944
Lander	722	2,242
Lincoln	515	3,665
Lyon	4,468	16,503
Mineral	25	1,025
Nye	3,656	8,664
Pershing	766	8,241
Storey	-	-
Washoe	37,889	94,709
White Pine	5,385	11,442
Total	\$ 161,512	\$ 482,489

STATE OF NEVADA

PERMANENT SCHOOL FUND

SCHEDULE OF INVESTMENT INCOME EARNED

For the Quarter Ended March 31, 2008

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	62,738
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. Farm Credit Bank	4.200	10,000,000	35,000
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	43,054
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	5.250	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	187,500
Fed. Home Loan Bank Note	5.330	9,000,000	90,610
Fed. Home Loan Bank Note	4.150	10,000,000	69,167
Fed. Home Loan Bank Note	4.350	10,000,000	72,500
Fed National Mortgage Assoc.	5.750	10,675,000	91,331
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			2,903,437
 Treasurer's interest distribution			 361,616
Total interest			3,265,053
 Change in fair value of investments			 2,951,511
Total investment income earned for the quarter			\$6,216,564