

STATE OF NEVADA
PERMANENT SCHOOL FUND

FINANCIAL STATEMENTS
FOR THE QUARTER ENDED JUNE 30, 2004

KATHY AUGUSTINE
STATE CONTROLLER
CARSON CITY, NEVADA

STATE OF NEVADA
PERMANENT SCHOOL FUND

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STATE OF NEVADA
PERMANENT SCHOOL FUND

BALANCE SHEETS
June 30, 2004 and 2003

	<u>6/30/2004</u>	<u>6/30/2003</u>
<u>Exhibit A</u>		
Assets		
Cash and cash equivalents	\$ 13,548,986	\$ 7,426,318
Accrued interest		
Investments	970,338	1,030,624
Treasurer	11,992	73,013
Total accrued interest	<u>982,330</u>	<u>1,103,637</u>
Receivables		
Land sales	83,985	5,365,983
Fines and penalties	432,257	382,946
Purchased interest	59,766	23,416
Total receivables	<u>576,008</u>	<u>5,772,345</u>
Investments		
U.S. Government securities	<u>130,705,628</u>	<u>109,113,659</u>
Total Assets	<u><u>\$ 145,812,952</u></u>	<u><u>\$ 123,415,959</u></u>
Liabilities		
Due the Distributive School Account	\$ 2,614,771	\$ 6,712,220
Due to heirs	804,379	734,985
Deferred Revenue	40,050	-
Total liabilities	<u>3,459,200</u>	<u>7,447,205</u>
Fund balances		
Reserved: Permanent Fund Principal	<u>142,353,752</u>	<u>115,968,754</u>
Total Liabilities and Fund Balances	<u><u>\$ 145,812,952</u></u>	<u><u>\$ 123,415,959</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 Year Ended June 30, 2004

	<u>Quarter Ended 6/30/2004</u>	<u>Exhibit B Year Ended 6/30/2004</u>
Revenues		
Fines - State Penal Laws		
Justice Courts	\$ 926,138	\$ 3,488,446
District Courts	169,024	657,309
Other Fines and Penalties	<u>40,000</u>	<u>57,500</u>
Total fines	1,135,162	4,203,255
Investment income (loss)	(2,198,023)	245,178
Land sales	6,694,662	22,139,649
Escheated estates	(19,495)	35,888
Miscellaneous	<u>2,240</u>	<u>6,205</u>
Total revenues	<u>5,614,546</u>	<u>26,630,175</u>
 Other Financing Sources (Uses)		
Transfer (to) from Distributive School Account	<u>2,198,023</u>	<u>(245,178)</u>
Net change in fund balances	7,812,569	26,384,997
Fund balances, beginning of period	<u>134,541,183</u>	<u>115,968,755</u>
Fund balances, June 30	<u><u>\$ 142,353,752</u></u>	<u><u>\$ 142,353,752</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, 2004 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	6,990,000
Douglas	April 1, 1998	8,710,000	8,280,000
Nye	April 1, 1999	17,545,000	12,940,000
Churchill	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	8,800,000
Lyon	February 1, 2001	12,000,000	11,670,000
Mineral	June 1, 2001	4,425,000	4,270,000
Churchill	December 1, 2001	4,565,000	3,540,000
Carson City	February 1, 2002	9,000,000	9,000,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	12,750,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,880,000
Carson City	February 1, 2003	3,750,000	3,600,000
Churchill	February 1, 2003	6,405,000	5,905,000
Douglas	February 1, 2003	5,750,000	5,705,000
Humboldt	February 1, 2003	5,075,000	4,705,000
Pershing	February 1, 2003	5,135,000	4,585,000
Washoe	January 1, 2004	11,820,000	11,820,000

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, 2004, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$13,036,787. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended June 30, 2004, funds held by the State Treasurer earned interest at an effective rate of 1.56 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, 2004

Schedule 1

Fixed Income Securities	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Face Amount</u>	<u>Cost</u>	<u>Fair Value</u>
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,778,100
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,868,800
Fed. Farm Credit Bank	3.375	6/12/08	10,000,000	10,000,000	9,812,500
Fed. Farm Credit Bank	1.840	4/7/06	5,000,000	4,910,000	4,912,500
Fed. Farm Credit Bank	2.150	4/5/07	8,000,000	7,709,360	7,737,520
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,343,170
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,050,330
Fed. Home Loan Bank Note	4.875	8/15/05	5,600,000	5,970,216	5,761,000
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,071,240
Fed. Home Loan Bank Note	2.050	6/22/06	6,500,000	6,401,590	6,376,110
Fed. Home Loan Bank Note	3.875	6/22/08	6,500,000	6,491,420	6,445,140
Fed. Home Loan Bank Note	4.000	7/23/10	13,000,000	12,864,922	12,540,970
Fed. Home Loan Bank Note	2.625	2/17/07	6,100,000	6,117,690	5,989,468
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,375,600
Fed National Mortgage Assoc.	3.250	5/14/08	5,000,000	4,999,219	4,895,300
Fed National Mortgage Assoc.	2.290	6/24/05	2,000,000	1,954,327	1,956,600
US Treasury Notes	1.125	6/30/05	4,000,000	3,981,250	3,963,760
US Treasury Notes	2.000	5/15/06	4,000,000	4,038,750	3,952,520
US Treasury Notes	2.625	5/15/08	4,000,000	4,035,625	3,875,000
Total Investments			<u>\$ 130,375,000</u>	<u>\$ 129,289,092</u>	<u>\$ 130,705,628</u>

STATE OF NEVADA
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SCHEDULE OF JUSTICE COURT FINES BY COUNTY
For the Quarter and Year Ended June 30, 2004

County	<u>Schedule 2</u>	
	Quarter Ended 6/30/2004	Year Ended 6/30/2004
Carson City	\$ 6,807	\$ 34,898
Churchill	17,114	61,977
Clark	352,062	1,288,435
Douglas	39,076	67,090
Elko	33,193	154,775
Esmeralda	5,529	16,619
Eureka	3,010	14,901
Humboldt	-	155
Lander	3,989	8,802
Lincoln	1,560	7,352
Lyon	24,351	75,726
Mineral	-	110
Nye	19,618	182,953
Pershing	637	7,789
Storey	-	-
Washoe	417,073	1,560,308
White Pine	2,119	6,556
Total	\$ 926,138	\$ 3,488,446

STATE OF NEVADA

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SCHEDULE OF DISTRICT COURT FINES BY COUNTY

For the Quarter and Year Ended June 30, 2004

County	<u>Schedule 3</u>	
	Quarter Ended 6/30/2004	Year Ended 6/30/2004
Carson City	\$ 3,736	\$ 18,368
Churchill	2,175	17,058
Clark	94,536	367,204
Douglas	7,436	41,608
Elko	16,639	43,603
Esmeralda	50	565
Eureka	-	50
Humboldt	1,360	8,922
Lander	805	2,679
Lincoln	765	2,200
Lyon	8,129	17,491
Mineral	85	571
Nye	-	4,466
Pershing	220	355
Storey	-	-
Washoe	32,564	127,849
White Pine	524	4,320
Total	<u>\$ 169,024</u>	<u>\$ 657,309</u>

STATE OF NEVADA
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SCHEDULE OF INVESTMENT INCOME EARNED
For the Quarter Ended June 30, 2004

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	2.700	10,000,000	67,500
Fed Farm Credit Bank	3.375	10,000,000	84,375
Fed Farm Credit Bank	1.840	5,000,000	9,711
Fed Farm Credit Bank	2.150	8,000,000	17,200
Fed. Home Loan Bank Note	5.125	9,000,000	115,312
Fed. Home Loan Bank Note	3.375	7,000,000	59,063
Fed. Home Loan Bank Note	4.875	5,600,000	68,250
Fed. Home Loan Bank Note	3.880	4,000,000	38,800
Fed. Home Loan Bank Note	1.125	4,660,000	13,106
Fed. Home Loan Bank Note	2.050	6,500,000	33,313
Fed. Home Loan Bank Note	3.875	6,500,000	62,969
Fed. Home Loan Bank Note	4.000	13,000,000	132,889
Fed. Home Loan Bank Note	2.625	6,100,000	27,132
Fed. Home Loan Bank Note	0.980	5,000,000	5,989
Fed. Nat'l. Mortgage Assoc.	5.750	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
US Treasury Notes	1.125	4,000,000	11,250
US Treasury Notes	2.000	4,000,000	20,000
US Treasury Notes	2.625	4,000,000	26,250
Total interest on investments			<u>1,137,187</u>

Fourth quarter Treasurer's distribution

57,087

Total interest

1,194,274

Change in fair value of investments:

Fourth quarter change in fair value of investments

(3,392,297)

Total investment income earned for the quarter ended June 30, 2004

(2,198,023)